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Exporting is crucial—*three-fourths of sales—at the Wisconsin paper-machinery firm run by Elizabeth, Dennis, and Daniel Oberer. Like other small-company principals, they find that being accessible to customers is a plus in serving overseas markets. Cover Story, Page 14.*

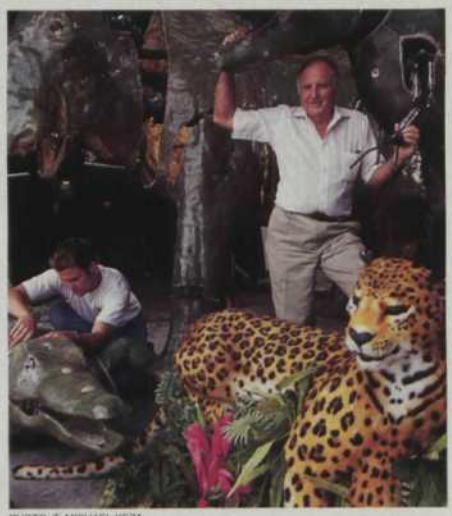


PHOTO: T. MICHAEL KEZA

Fabricating *lifelike figures for the expanding theme-park industry created a new life for attorney Gerald King. Enterprise, Page 51.*

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Express your views on international trade, which small firms, by increasing their exports, are making a larger and more important part of the nation's economy.

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PHOTO: ERICK FRIEDMAN—BLACK STAR

An image make-over *helped Steve Greene's office-supply firm increase sales eightfold in 10 years. Managing, Page 41.*

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Editor's Note

Will A Good Trend Be Broken?



Going global is a big step for any small company. But an increasing number of small firms are making the move and boosting their sales and business prospects as a result. Nevertheless, some policy-makers in Washington are leaning more toward stifling this trend than encouraging it—despite the clear value of exports to the nation's economy.

In this month's cover story, Senior Editor Jim Worsham outlines developments that are threatening U.S. trade prospects. He also provides useful advice for small firms that may want to explore markets abroad. The story begins on Page 14.

If you've heard about the "year 2000 problem" but think it won't affect your company, see Senior Editor Michael Barrier's article on Page 29. It's likely to provide some additional insight.



PHOTO: ©MICHAEL SCHWARZ

Depending on your point of view, you might be surprised by the results of Sharon Nelton's research on how women business owners are faring. This report by our editor-at-large begins on Page 38. (At left is day-care company owner Sheree Mitchell, one of the entrepreneurs featured in the story.)

If you haven't tapped into our site on the World Wide Web, I encourage you to do so. Its aim, like this magazine's, is to provide you with information you can use. The address is *www.nbmag.com.*

Mary Y. McElveen

Mary Y. McElveen
Editor

Nation's Business

Letters

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Casting A Skeptical Eye On The Worker Shortage

It was with great interest—and not a little skepticism—that I read "Building Better Workers," your June cover story.

The shortage of skilled, qualified workers seems to be a recurring theme in many of the publications I have read lately, and I am left wondering if we are getting the whole story. Is there truly such a shortage or are employers expecting something for nothing?



Two years ago, after 18 years in a job that was "never going to make us rich but at least was secure," my middle-aged husband was a victim of a nasty downsizing after a new management team was brought in. We were left reeling from the aftershock and pored over our options and the want ads.

It proved to be almost comic relief when we read ad after ad for jobs that required a bachelor's degree, years of experience, and other qualifications but offered pay of $8 or $9 an hour.

I find it interesting that some of the businesses mentioned in your article are targeting college students and retirees for recruitment. It seems to me that not only are these two groups the cheapest workers to pay, but retirees don't need any retirement or benefit packages, and college students—most of whom are unmarried and childless—are willing and able to work like dogs.

I find it ironic that businesses, after a decade of downsizing their highly trained, well-educated (but highly paid) workers, are left wondering why there is no one left to run the show. The next time you encounter a business that complains about a shortage of skilled, intelligent workers, do me a favor and pass along my husband's name.

Holly Johnstone
Omena, Mich.

Enabling Small Firms To Help Troubled Workers

I was pleased to see the article "Programs That Aid Troubled Workers" [June]. There is no doubt that troubled employees cost businesses a lot of money, and until recently the type of assistance referred to in the article was available almost exclusively to employees of large corporations.

A little over a year ago, the Health and Wellness Council of the Naperville Area Chamber of Commerce in Illinois developed an employee-assistance plan (EAP) in conjunction with Linden Oaks Hospital, a behavioral-health-care facility in Naperville. The setup fee for such programs is usually prohibitive for small businesses, but the chamber, because of the buying power of a large organization, is able to offer EAP benefits to even our smallest member companies at an affordable price.

I urge other local chambers to form partnerships with their local mental-health-care providers so more people can have access to professional help when it's needed.

Jennifer Gates
Program Director
Naperville Area Chamber of Commerce
Naperville, Ill.

IRS's Year 2000 Problem And A New Tax System

In reading "Can The IRS Be Fixed?" [Cover Story, May] I had to ask myself, are these really the biggest problems at the Internal Revenue Service?

A couple of years ago I read an article that said the IRS had not yet begun its project to make its computers year 2000 compliant. The article concluded that with less than four years left to fix the problem, compliance was impossible. It compared the IRS's situation with that of the Social Security Administration, which had started on its year 2000 project in 1989 and was estimating it

would complete the work in 1999, just under the wire.

So where does this leave the IRS and taxpayers at midnight on Dec. 31, 1999? My guess: in chaos.

Here is my theory: By Jan. 1, 2000, we will have either a flat tax, with a very simple form to fill out, or a national sales tax. These are the only two solutions that could be implemented before time runs out on the IRS's computer system.



Of course, the change will be done under the guise of politicians fixing the IRS and making it a citizen-friendly agency, when the truth is that the government's ability to collect taxes would otherwise come to a screeching halt in 2000.

Kent Bestle
Materials Manager
Conversion Equipment Corp.
Orange, Calif.

[Editor's Note: For a look at the potential effects on small businesses of the "millennium bug" and what companies can do to prepare, see "Counting Down To The Year 2000," on Page 29.]

Arguing In Favor Of The Tobacco Bill

I was distressed by your arguments against the tobacco bill in "Tobacco Bill Deserves To Be Extinguished" [Editorial, July].

Tobacco is a highly addictive drug that should be outlawed entirely, but the tobacco bill that was under consideration by Congress at least finally addressed issues such as educating teens about the dangers of smoking.

Additionally, Congress would have had the ability to direct revenues from the increased tobacco tax to fund programs to help low-income people quit smoking. If these people had rejected this assistance and continued to smoke, then the increased cost to them because of the higher tobacco tax would have been a result of their own poor personal choice, not a tax burden.

After all, if these people quit smoking, not only would there be no tax burden on them but they would save hundreds of dollars a year by not buying cigarettes.

Al Diaz
Pinecrest, Fla.

Macintosh Computers Are The Apple Of Reader's Eye

Your article "New PCs, New Choices For Business Owners" [Small Business Technology, July] was misleading when it referred to "top-of-the-line computers" while ignoring the fastest computers.

Macintosh computers, from Apple Computer, Inc., run at up to twice the speed of the DOS-based dinosaurs cited in the article, and Macs can run circles around even the "high-end" system you tested. Moreover, the Windows platform itself is inferior to the Mac operating system.

While the article's claim that "everyday work by clerical employees" can be accomplished adequately with low-end PCs is arguably correct, suggesting that graphics-producing employees use *any* level of Windows-based machine is not only cruel to those employees but it would result in a waste of artistic talent and probably an increase in business owners' expenses.

Nation's Business should show more concern for small-business owners.

Michael Gemmell
San Francisco

[Editor's Note: Only about 4 percent of computer users work on Macs, so our coverage concentrates on the Windows-based PCs used by the overwhelming majority of our readers. The new Macintosh G3 computers from Apple are, indeed, superb machines for graphic-arts professionals, but so are PCs featuring Intel's new 400-megahertz processor, including the Gateway 2000 system featured in the article.]

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Markets At Risk 4868
As small firms increase their exports, government policies threaten to limit U.S. trade potential.

The Backlash Against Managed Care 4867
The rising fever in Washington to impose mandates on managed care could price small firms and their workers out of the health-insurance market.

Building Better Workers 4866
U.S. companies need a higher-skilled work force. Almost all of them can do something to bring it about.

Can The IRS Be Fixed? 4865
It's time for a change, say many taxpayers and national leaders. And they're moving ahead to make it happen.

Fighting Fraud In Workers' Comp 4864
Armed with stronger laws, new resources, and a tougher attitude, employers and their insurers are striking back against this costly brand of cheating.

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The Small Business Adviser

ENTREPRENEUR'S NOTEBOOK

The Potential Of Immigrants

By Craig Ray

When my partner and I purchased Tommaso's Fresh Pasta three years ago, our idea of a melting pot was what you use to make sauce.

Today, however, it is our company's workplace that is a melting pot of cultures and languages, thanks to a core work force of immigrants.

Mike Burns—Tommaso's chief operating officer—and I didn't set out to hire immigrants, just good employees. When a dramatic sales increase created an immediate need for workers and our state Employment Commission's matching system began identifying people who met our needs, many potential candidates were immigrants. Our employee diversity increased as we grew. Today, just 12 of our 33 employees are native-born Americans.

Hiring immigrant workers can create challenges but also can have rewards, such as employee loyalty and dedication. Here are some suggestions to consider in integrating such workers into your company:

Know the law. Familiarize yourself with Immigration and Naturalization Service regulations, and make sure proper employment forms are completed and filed. The INS will help you learn the law.

Recognize, too, that you may want to get involved as an employee's advocate if you believe his or her work status or eligibility to stay in the United States has been questioned wrongly.

Limit the number of languages spoken. Each language you bring into the workplace carries with it communication barriers. While your firm ultimately might resemble the United Nations, don't go in that direction too fast. Adding workers who speak the same language as your current workers allows you to limit the number of employee interpreters needed and the amount of miscommunication.

Craig Ray is CEO and president of Tommaso's Fresh Pasta in Dallas. He prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on starting or running a business are invited to contribute to this column. Write to Entrepreneur's Notebook, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*



PHOTO: ©JOHN R. FULTON JR.

Immigrants *add an international flavor to the work force at Craig Ray's pasta company.*

Create a culturally tolerant and supportive environment. You and your workers must be as tolerant of the ways of immigrants as you are of the ways of Americans. We had one employee, for example, who kept her country's custom of fasting, wearing black, and not cutting her hair for more than a month after the death of her father. Largely because our company promotes tolerance, this behavior elicited no negative comment from her co-workers.

While we try to accommodate native heritages and traditions, there is no room in the workplace for clashes over issues related to the homeland. We have 10 workers from Bosnia—who represent both sides of the troubles there—and while we understand the emotions of the issues, we don't tolerate personal conflicts on the job.

Offer classes in English as a second language. Encourage employees to take English classes. If possible, offer classes on-site and at no cost before shifts or during lunch, for example. For us, these classes are a win-win proposition. Our employees learn skills that make communication easier, and we get a venue for covering training and procedures. Also, the opportunity for education helps attract workers.

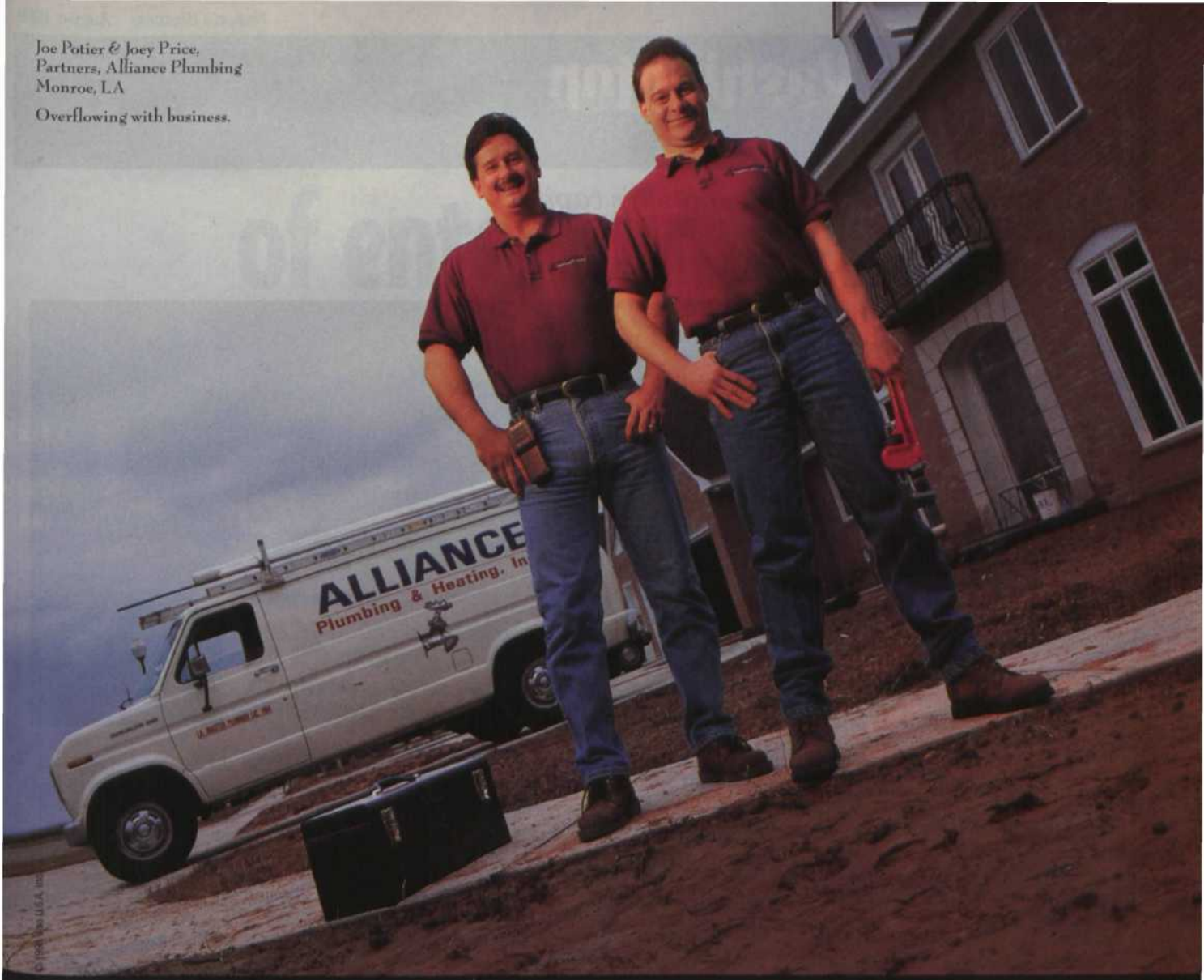
Don't have separate staff meetings. Initially, we organized employee meetings according to the linguistic backgrounds of our workers. We quickly found that employees wanted to meet as a group so that issues raised by one person could be discussed by everyone. Now that we have switched to general meetings, everyone hears the same information and moves forward together.

Look at potential beyond the language. Don't bypass an immigrant employee's capabilities simply because he or she hasn't mastered English. For instance, we have a Vietnamese employee with little mastery of English but great learning retention and math abilities. We have taught him to handle all of our computerized production planning, and we expect him to handle additional responsibilities as his English skills improve. He, in turn, knows how we see his future, and that has made him work harder toward achieving his potential.

A good worker is a good worker—if given the chance to do the job. Don't let someone's origin or language limit their potential, or your company's. NB

WHAT I LEARNED

Blending various cultures and languages into your work force can create challenges but also bring rewards.



Joe Potier & Joey Price,
Partners, Alliance Plumbing
Monroe, LA

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Dateline: Washington

Business news in brief from the nation's capital.

WORK FORCE

Firms Urged To Pledge Support For Employees In Reserve Forces

Employers are being urged to pledge that they will not penalize current or potential employees who serve in any of America's seven Reserve forces—the Air and Army national guards and the Air Force, Army, Coast Guard, Marine Corps, and Naval reserves.

The pledge drive was kicked off in Washington recently by Secretary of Defense William S. Cohen; Thomas J. Donohue, president and CEO of the U.S. Chamber of Commerce; and William Bowen, chairman of the National Committee for Employer Support of the Guard and Reserve.

The National Committee was formed in 1972 to help educate employers about the rights of workers serving in Guard or Reserve units.

"This pledge is a voluntary expression of the patriotism of American business," Donohue said at the event, sponsored by the National Guard Association of the United States, which represents members of the Air and Army national guards.

If employers sign the pledge, Donohue said, "then their workers can serve their country without worrying about loss of career opportunities or other company benefits."

Business people who sign the pledge document make it known to current and prospective employees that:

- Employment will not be denied because of Guard or Reserve service.
- Employee job and career opportunities will not be limited because of Guard or Reserve service.
- Employees will be granted leaves of absence for military training in a Guard or Reserve unit without sacrifice of vacation.

The Pentagon is resorting increasingly to use of reservists, primarily because of the post-Cold War decreases in active-duty military personnel.

For example, more Army reservists have been activated to serve in the NATO-led peacekeeping force in Bosnia than were called during the entire Vietnam War. And, for the first time in three decades, a National Guard combat unit has been sent overseas.

—Albert G. Holzinger



PHOTO: T. MICHAEL KEZA

Signing the pledge of support *for employees in the National Guard or the Reserve are, from left, Thomas J. Donohue, president and CEO of the U.S. Chamber of Commerce; Secretary of Defense William S. Cohen; and William Bowen, chairman of the National Committee for Employer Support of the Guard and Reserve.*

Standing from left are Brig. Gen. John Bradley, commander, 10th Air Force; Charles Cragin, acting assistant secretary of defense for reserve affairs; Maj. Gen. Thomas Plewes, chief, Army Reserve; Rear Adm. Dennis Vaughan, chief, Naval Reserve; Maj. Gen. Michael Davidson, mobilization assistant to the director, The Joint Staff; Maj. Gen. Paul Weaver, chief, Air National Guard; Maj. Gen. Roger Schultz, chief, Army National Guard; Brig. Gen. David Mize, deputy chief, Marine Corps Reserve; Rear Adm. Thomas Barrett, chief, Coast Guard Reserve; and Kenneth Jordan, executive director, National Committee for Employer Support of the Guard and Reserve.

House Passes Bill To Curb Workplace Substance Abuse

A bill designed to reduce substance abuse in the workplace—particularly at small firms—was approved by a vote of 402-9 in the House of Representatives on June 23.

H.R. 3853, sponsored by Rep. Rob Portman, R-Ohio, and supported by the U.S. Chamber of Commerce and other business groups, would help small businesses set up drug-free-workplace programs. A similar bill was introduced in the Senate recently by Sens. Paul Coverdell, R-Ga., and Jon Kyl, R-Ariz.

The House-passed bill urges states to provide incentives such as reduced worker's compensation premiums to small firms that adopt policies to curb workplace use of drugs and alcohol. It would provide grants to nonprofit organizations to form consortia to contract for employee-assistance and drug-testing programs to cut the costs of such programs to businesses. It would tap existing Small Business Development Centers, run by the U.S. Small Business Administration, to help firms establish substance-abuse programs.

The Chamber and other organizations estimate that workplace drug and alcohol abuse cost U.S. businesses more than $100 billion per year. However, less than 5 percent of U.S. businesses have written policies on substance abuse.

"Small businesses have recognized the need for drug-free-workplace programs; they just need assistance in implementing these programs," Portman said at a May hearing on the bill.

The measure "will send a powerful message to all American businesses, as well as their employees, that the federal government has not forgotten the war on drugs," Chamber President and CEO Thomas J. Donohue said at the hearing.

—Steve Bates

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TAXES

IRS Raises The Threshold For Monthly Payroll-Tax Deposits

The Internal Revenue Service has relaxed the rules that require some small businesses to make payroll-tax payments every month rather than at longer intervals.

The new rule, which took effect for quarterly returns on July 1, 1998, and takes effect for annual returns Jan. 1, 1999, requires monthly deposits only by firms with $1,000 or more in employment taxes (Social Security, Medicare, withheld income tax) for the return period—a quarter or a year. The previous threshold for monthly payments was $500.

The IRS estimates that the new rule will lift the burden of monthly payments from about 500,000 small firms. The total number of companies not required to make monthly payments will reach about 2.1 million, or one-third of all U.S. companies.

—James Worsham

A Capital-Gains Bonus In Bill To Overhaul IRS

Some capital-gains tax relief is on the way as part of legislation to overhaul the Internal Revenue Service.

The legislation, a compromise between House and Senate versions of the bill, was approved by the House 402-8 on June 25. The Senate approved the measure 96-2 on July 9. President Clinton has said he would sign the legislation.

The capital-gains provision was added by the House-Senate conference committee that worked out the compromise measure. Under the provision, the holding period for property to qualify for the lower rates enacted in the 1997 tax bill for long-term gains will be reduced to 12 months from 18 months.

Those lower rates are 20 percent for taxpayers in the upper-income brackets and 10 percent for those in the lower-income brackets. Short-term gains are taxed as regular income. (For background, see "Business Just Got Less Taxing," October 1997.)

Just as the compromise on the IRS bill was reached, Republican leaders in Congress unveiled plans to introduce separate legislation that would reduce the top capital-gains tax rate to 15 percent from 20 percent and the lower rate to 7.5 percent from 10 percent. That proposal was expected to be introduced in Congress by House Speaker Newt Gingrich, R-Ga., and Senate Majority Leader Trent Lott, R-Miss.

The IRS reform legislation would set up an independent oversight board, grant the IRS commissioner broad authority to reorganize the agency, give taxpayers new rights when faced with IRS audits and investigations, and reduce interest and certain penalties for underpayment of taxes.

—James Worsham

CURRENCY

Anti-Counterfeiting Changes Give The $20 Bill A New Look

The redesigned $20 bill, which will be placed in circulation this fall, has a number of distinguishing features that can help employees who handle cash recognize counterfeit bills.

Like the redesigned $100 bill introduced in March 1996 and the enhanced $50 bill put into circulation in October 1997, the new $20 bill is intended to thwart counterfeiters equipped with advanced reprographic technologies, including high-resolution color scanners, printers, and copiers.

Counterfeit-resistant $10, $5, and $1 bills also will be put into circulation this year, according to the U.S. Treasury Department.

The $20 bill is the most commonly counterfeited U.S. currency, says Treasury Secretary Robert E. Rubin. "The new $20 note, which will replace older notes gradually, will be an important tool against would-be counterfeiters," he says.

Security features of the new $20 bill include:

- An enlarged portrait of President Andrew Jackson moved off-center to create space for a watermark portrait of Jackson that can be seen only when the bill is held up to a light.
- Difficult-to-copy microprinting of some elements of the bill.
- Color-shifting ink that changes perceived color from green to black when the numeral on the lower-right corner of the bill is viewed from different angles.



Security features *of the new $20 bill include an enlarged portrait of President Andrew Jackson moved off-center to create space for a watermark.*

Employee-education materials ranging from posters and pay-envelope stuffers to videotapes and CD-ROMs are available at no charge from the Treasury Department and the Federal Reserve System. To receive an order form via fax, call (202) 622-2040.

For more information about the new currency, visit *www.moneyfactory.com*, the U.S. Bureau of Engraving and Printing's site on the World Wide Web.

—Albert G. Holzinger

FOR THE RECORD

- Congress recently moved a step closer to banning new taxes on commerce conducted over the Internet when the House passed legislation imposing a moratorium on such levies.

The bill, approved in late June, would impose a three-year ban on state and local taxation of Internet sales, although existing Internet taxes would remain in place.

Senate legislation, expected to be considered this summer, calls for a six-year moratorium and prohibits states and localities that currently tax Internet transactions from collecting the taxes during that period.

- A proposal by President Clinton and congressional Democrats to boost the minimum wage to $5.65 an hour from $5.15 on Jan. 1 and another 50 cents an hour on Jan. 1, 2000, is still pending in both houses.

The minimum wage was raised to $5.15 an hour from $4.65 an hour Sept. 1.

Based on the results of the Where I Stand poll in the May issue of *Nation's Business*, most business owners oppose another increase.

- The U.S. Postal Service won't increase rates until January, the agency's Board of Governors announced in late June.

Recently, the U.S. Postal Review Commission endorsed the Postal Service's plan to increase the price of a first-class stamp, to 33 cents from 32, as well as hundreds of other changes in rates.

The new rates could have been imposed this summer or fall, but postal officials said their healthy budget permits them to delay implementation until Jan. 10—four years after the last change in the price of a first-class stamp.

Managing Your Small Business

Carving a niche; using training to retain workers; giving a new spin to a domestic chore.

By Thomas Love

MARKETING

Creating Demand For A New Product

"If you make a better mousetrap, the world will beat a path to your door" is an old adage.

But John Bardeen, a Denver small-business owner, found that you first have to convince the world that it has mice.

Bardeen is founder of Pumpkin Masters, a firm that manufactures and sells what he calls the world's first pumpkin-carving kit—a package of instructions, patterns, and tools for carving intricate jack-o'-lanterns.

"The idea came from a 50-year family tradition of pumpkin carving," Bardeen says. "When Dad died in 1983, my sisters and I decided to put together his ideas into kits as a tribute to him."

When the kit was introduced, the initial reaction was indifference, Bardeen recalls. People thought, "Why do you need a carving kit when a kitchen knife will do?" he says. "It isn't like introducing a new dog food, where one informs buyers of the product's superior features. We had to convince buyers to open up a new vendor account for a product that didn't even have a category."

In 1986, the company did a small test marketing of 6,000 kits through a local grocery chain, a couple of craft outlets, and a few toy stores.

The trial run was a success, and the company hired a Chicago marketing firm with a nationwide network of sales representatives. It also contracted with a well-known national public-relations company. The marketing firm reviewed the Denver sales results and forecast 1987 sales of 600,000 kits. Based on that optimistic estimate, Pumpkin Masters got $425,000 in bank letters of credit to finance the overseas production of 235,000 kits.

At the end of 1987, the company was in trouble. It owed the bank $250,000; the Chicago firm had sold only 50,000 kits (which was increased to 92,000 through Pumpkin Masters' efforts); the PR firm had produced meager results; and there were 143,000 kits—10 percent of them without saw blades—in a Minneapolis warehouse.

Over the next six months, Bardeen persuaded the bank to extend the terms of the loan for a year, fired the marketing company and the PR firm, hired a new team of sales representatives, and had the contents of each kit inspected.

The turnaround for the company came in 1988 when the purchaser of a Pumpkin Masters kit offered to do volunteer public-relations work. She suggested having pumpkins carved in the likenesses of the ABC-TV announcers on the Halloween night football game between the Denver Broncos and the Indianapolis Colts. She sold the idea to ABC—she "doesn't take 'no' for an answer," Bardeen says. He packed up his pumpkins, patterns, and carving tools and flew to Indiana.

The pumpkin portraits were shown during the game, and a scary, Bardeen-carved pumpkin face named "Skull" introduced the show.

The publicity gained on the "Monday Night Football" show was just the impetus Pumpkin Masters needed. Last year it sold more than 2 million kits.

Although Bardeen won't release his financial figures, he says, "We're doing fine."

Fine enough that Pumpkin Masters was named a 1998 honoree in the Blue Chip Enterprise Initiative, an annual program that recognizes small firms that have overcome challenges. It is sponsored by Massachusetts Mutual Life Insurance Co. (known as MassMutual—The Blue Chip Co.), the U.S. Chamber of Commerce, and *Nation's Business*. ■



PHOTO: ©RICHARD SHOCK

Publicity *on ABC-TV's "Monday Night Football" helped turn the corner for John Bardeen's firm, Pumpkin Masters, which makes kits for carving intricate jack-o'-lanterns.*

WORK FORCE

Training Can Reduce Employee Turnover

Small-business owners who want to retain valued workers should consider employee training, says Zig Ziglar, a motivational speaker and author of 11 books on personal growth, leadership, sales, faith, family, and success.

"Training reduces turnover dramatically," he says. "People stay where they can grow. When an employer invests in employees with training, they return with more productivity and more loyalty."

Ziglar says that training is important because companies—particularly small ones—must face the fact that ways of doing business are shifting and they must make radical changes to keep up. Training is a necessary step in these changes, he says.

The good news is that sometimes only

small steps are needed to accomplish radical changes, he says. "For example, the difference between the scholarship student and the student who barely passes is just 10 minutes of studying a day. The difference between a superstar and an average athlete is just four more wind sprints, another half-mile run, or six or eight more weight-lifting repetitions."

Ziglar's latest training tool is a series of what he calls "Training Ziggets ... a gold mine of bite-sized training for your company." Each of the six sets contains eight 30-minute lessons on video- and audiocassettes along with instructor notes and student worksheets. The subjects are sales, team development, marketing, customer service, personal development, and management.

"Each of the lessons teaches two to four major points," Ziglar says. "We encourage companies to use them before the start of the business day or the first thing. They take only 30 minutes, and people can apply them to their jobs immediately."

The basic philosophy in all of Ziglar's training activities is what he calls a restatement of the golden rule: You can have everything you want in life if you help enough other people get what they want.

He tells his audiences that success is based on hard work, common sense, fairness, commitment, and integrity.

"I believe that persistent effort, supported by a character-based foundation, will enable you to get more of the things money will buy and all of the things money won't buy," he says.

The Ziggets sets—$149 each or $699 for all six—and other Ziglar training systems can be ordered by calling 1-800-527-0306. ■

ENTERPRISE

Service-Centered Innovation Comes Out In The Wash

Sometimes, to be successful, it's necessary to reinvent your industry.

That is just what Alex Weiss is doing as CEO of Clean Rite Centers, a chain of space-age self-service laundries in the New York City area.

"By opening our superstores, which are five times the size of typical [coin-operated laundries], we are changing the mom-and-pop concept of the business in the same way Blockbuster has for video stores," says Weiss.

Weiss' average store encompasses 5,500 square feet—they range from 3,000 to 9,000—and features 150 washers in five sizes that handle anywhere from 10 pounds to 75 pounds of laundry.

But larger size isn't the only way that Clean Rite stores differ from the average laundry.

The stores have smart-card-operated machines that eliminate the need for large amounts of change; on-site parking at some locations; overhead televisions that show sports and the latest movies; play areas for children; clean bathrooms; and security systems, including video cameras.

"One very important aspect of our stores is that we are very customer-friendly," Weiss says. "Our attendants are trained to say 'Hello' to our customers, most of whom come to us week after week, 52 weeks a year, and spend about two hours.

"A typical store has two people per shift: a customer-service person and a housecleaning person," he continues. "They smile, are friendly, and make people feel the way they should feel. Our stores are so clean you could eat off the floor.

"On Saturday and Sunday at some stores we have sort of a doorman to help people unload their clothes and bring them into the store," he adds.

Clean Rite plans to have 22 locations operating by the end of the year and 12 under construction in the Bronx, Queens, Brooklyn, and Manhattan. The company hopes to sign nine new leases per quarter in 1999.

"Next stops in 1999 are Staten Island, New Jersey, Philadelphia, Baltimore, and Washington, D.C.," says Weiss. "Our goal is for Clean Rite to be nationwide by the year 2000."



PHOTO: ©ARNOLD ADLER

By emphasizing *customer amenities at his self-service laundries, Alex Weiss says, he has turned what used to be a dirty job into a pleasure.*

Weiss believes that by hiring from their surrounding inner-city neighborhoods, his laundries are making a major impact on their communities. "Clean Rite stores also have a positive impact on adjacent retail tenants—whether the [laundries] are in strip malls or free-standing," Weiss says. "That's because customers generally spend two or three hours doing their laundry, making the stores natural traffic generators."

About 10 years ago, Weiss was in the retail clothing business, with all its attendant difficulties of stocking the right fashions and sizes.

His father, Mark Weiss, now head of construction for Clean Rite, was in the coin-laundry business. After purchasing equipment for a store, he didn't have to worry about buying again for a long time.

"When he bought equipment, he wouldn't have to do it again for 17 years, while I had to fly to Italy and France five times a year for inventory," recalls Weiss. This ease of business led him to think about changing his field. Self-serve laundries are "a very labor-intensive business," he says, "but you let the customer do the labor.

"I figured that if you ran the operation efficiently for the customer's convenience, you could turn what has been known as the miserable task of doing your laundry into a pleasurable task. We have been successful in doing this." ■

NB TIP

Recruiting The Disabled

The President's Committee on Employment of People with Disabilities has established a page on its World Wide Web site to help businesses interested in recruiting qualified people with disabilities.

The committee's "Job Links" page—*www.pcepd.gov/joblinks.htm*—provides job-seeking candidates with direct Internet links to participating companies' employment pages on the Web.

Employers who wish to be listed can provide Web-site and mailing-address information to the committee's Mary Kaye Rubin via electronic mail at *mrubin@pcepd.gov*; by phone at (202) 376-6200, by fax at (202) 376-6859, or through a Telecommunications Device for the Deaf number, (202) 376-6205. NB

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COVER STORY

Markets At Risk

By James Worsham

The way Ed Mock sees it, there's no mystery to exporting successfully. It simply requires the application of "basic business fundamentals."

To Mock, president of International Dehydrated Foods, Inc., in Springfield, Mo., this philosophy translates into practices as broad and important as achieving a solid position in the U.S. domestic market. "We didn't go international until we developed a good, solid customer base domestically," says Mock. IDF makes flavorings from dried and processed chicken meat; they are used in rice, stuffings, gravies, soups, and other products found on grocery shelves.

Today, about 40 percent of the 100-employee company's sales are to other countries, including Latin American, Pacific Rim, and Western European nations, and it is starting to market in China and Russia. Mock says he wants to increase the exporting share of the business to 50 percent within three years.

The U.S. economy's robust performance suggests that this is a good time for small companies to begin establishing footholds in foreign markets and developing relationships with partners, distributors, and customers abroad. But these markets have been put at risk by developments such as anti-trade and isolationist sentiments in Congress and the financial crisis in Asia.

Pressure continues in Congress for the United States to impose additional unilateral economic sanctions against other countries for various reasons, including religious persecution and the harboring of terrorists. Such U.S.-only sanctions, now imposed on 72 nations, in most cases have failed to achieve their diplomatic goals yet have hurt U.S. economic interests, critics argue.

At the same time, Congress has refused to agree to "fast-track," or expedited, consideration of trade agreements worked out by U.S. negotiators. Without the assurances afforded by the fast-track procedure—under which Congress can approve or reject but cannot amend a proposed trade agreement—other countries, especially in Latin America, usually won't



PHOTO: ©CHARLES KNEYSE—BLACK STAR

It's a good idea *to have a firm footing in the U.S. market before beginning to export, says Ed Mock, whose company makes flavorings from dried, processed chicken. Ann Hollis, customer-service manager, has helped the firm increase its export sales to about 40 percent of total revenues.*

As small firms increase their exports, government policies threaten to limit U.S. trade potential.



negotiate seriously with U.S. trade envoys.

Underlying these threats is the specter of the collapse of the decades-old free-trade coalition in Congress. Unions and their allies on the Democratic side have fought free-trade initiatives, fearing loss of jobs at home, while many Republicans, their focus more domestic than that of their predecessors, have not rallied to the cause of free trade as those predecessors did.

A Tale Told In Numbers

With U.S. trade policy seemingly adrift, what is at risk? The answers can be drawn from U.S. Department of Commerce figures:

■ Trade continues to increase as a share of the United States' gross domestic product, the broadest measure of the output of goods and services, growing from 10.9 percent in 1970 to 25 percent last year. (See the chart at right.)

■ From 1992 to 1997, U.S. exports of goods and services rose 50 percent while the GDP rose 29 percent. Today, the United States accounts for 13 percent of the world's exports.

■ Every $1 billion in exports supports about 13,000 U.S. jobs, which means that in 1997 more than 12 million U.S. jobs were directly or indirectly tied to exports.

■ U.S. companies last year exported $931.4 billion worth of goods and services and are expected to top $1 trillion by 2000, which would be more than double their 1990 level. Last year, imports totaled $1.045 trillion worth of goods and services, resulting in a $113.6 billion trade deficit.

Meanwhile, small companies are turning out a larger portion of U.S. exports. Their share of merchandise exports is steadily rising—from 26.4 percent in 1987 to almost 30 percent nearly a decade later—and now total nearly $200 billion annually. (See the chart on Page 17.)

Marjory Searing, acting assistant secretary of commerce and director-general of the U.S. and Foreign Commercial Service, says that being competitive globally will help make small firms more competitive at home with both U.S. and foreign rivals.

"If you ultimately are going to be able to succeed in a global world, you need to go global," she said in a recent interview with *Nation's Business*. (See "Avenues To Foreign Markets," Page 18.)

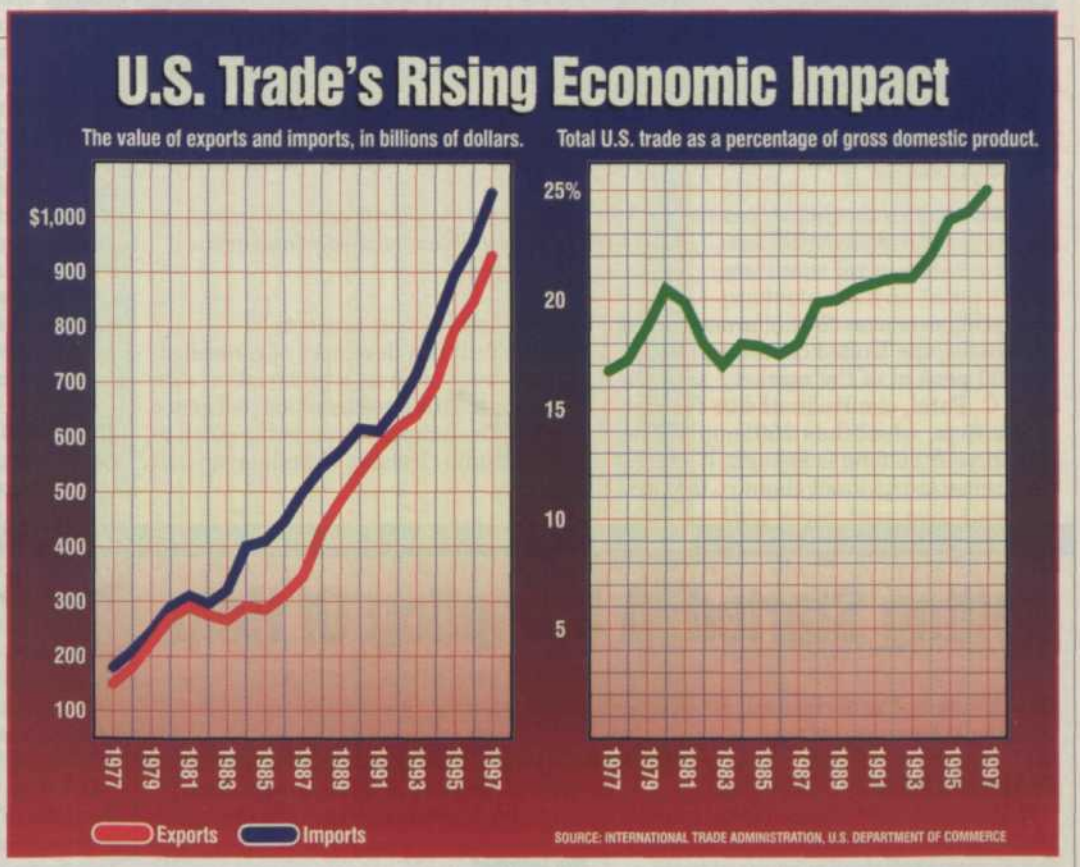
Most important, trade is good for America—and good for small business, says Thomas J. Donohue, president and CEO of the U.S. Chamber of Commerce. "Trade means more and better jobs for Americans, more competitive and innovative businesses, and lower prices for consumers," he says. "We shouldn't fear trade, as some do; we should celebrate it."

A Vast Market

It also makes good economic sense for individual small firms to be involved in exporting, says Willard A. Workman, vice president/international of the U.S. Chamber. "If you're involved in trade," he says, "you're less likely to go bankrupt, because you're spreading your risks over different markets with different business cycles."

Moreover, as many free-trade advocates note, exporting is often a good business strategy because 96 percent of the world's consumers live outside the United States.

That fact made it easy for TheraTech, Inc., of Salt Lake City, to decide to begin



CHARTS: GEORGIA LEIGH MCDONALD



PHOTO: ©TIM KELLY—BLACK STAR

Consumers *outside the United States account for 70 percent of the pharmaceuticals market, so exporting makes sense for Dinesh C. Patel's firm, which develops controlled-release drugs.*

marketing overseas. "For pharmaceutical companies, the United States represents only 30 percent of the market," says Dinesh C. Patel, chairman and co-founder of the firm, which has 250 employees. "When your volume is enough, it makes good sense to put it out there ... to maximize the sale of your products."

TheraTech is a developer of controlled-release drugs such as a prescription skin patch for treating testosterone deficiency in men. The company exports the patch to Great Britain, Ireland, Scandinavia, and Germany.

The company partners with British-based SmithKline Beecham (Great Britain and Ireland) and Swedish-based Astra AB (Scandinavia and Germany) for marketing and distributing the patch, but hurdles remain. Because the patch is a drug, it must meet the requirements of other countries' regulatory and law-enforcement agencies.

Although finding a distributor can be difficult, it is one of the most important tasks for an export-minded company, and one that must be done right, according to James Wilfong, president of TradeNex, a Fryeburg, Maine, export-management firm for sporting goods.

An intermediary such as an export-management company can help you find a distributor, and so can recommendations from other firms exporting to the same area, Wilfong says. He also suggests that you visit the countries where your goods would be sold to observe firsthand the operations of possible distributors or agents.

If you can't make on-site visits, Wilfong continues, attend trade shows where you can meet representatives of large, foreign-based stores to which you can sell directly. Another avenue for direct sales to foreign customers is the World Wide Web.

Small Firms' Low Participation

Despite increases in the number of small U.S. companies that export, small business

Getting Started: A Sampling Of Help

Here is a sampling of resources for companies interested in exporting:

Government Agencies

■ The Trade Information Center, operated by the U.S. Commerce Department, is the government's clearinghouse on trade information. It can be reached at 1-800-USA-TRADE (1-800-872-8723) from 8:30 a.m. to 5:30 p.m. Eastern time weekdays or through an electronic-mail link at *www.ita.doc.gov/tic* on the World Wide Web.

■ The Export-Import Bank of the United States provides loans, loan guarantees, and insurance. The agency, which has a Web site at *www.exim.gov*, can be reached weekdays from 7:30 a.m. to 5 p.m. Eastern time by calling 1-800-565-3946.

■ The Overseas Private Investment Corp. offers political-risk insurance as well as loans and loan guarantees. See OPIC's Web site at *www.opic.gov* or call (202) 336-8799. Staff members are present weekdays from 8:45 a.m. to 5:30 p.m. Eastern time.

■ The Small Business Administration's Web site, *www.sba.gov*, offers information about exporting. Call 1-800-827-5722 from 9 a.m. to 5 p.m. Eastern time weekdays.

■ State trade agencies—in all states and the District of Columbia—are aimed at helping businesses that want to export.

The Internet

The Unibex Global Business Center, sponsored by several major information-technology and financial-services companies, allows users to create a Web site, post offers, and make international deals via the Internet. Unlimited usage is $1,000 a year. For information, visit the Unibex Web site at *www.unibex.com*.

Chambers Of Commerce

The U.S. Chamber of Commerce's International Division offers directories of foreign contacts, how-to manuals for market entry, business research, access to American Chambers worldwide, and meetings with foreign leaders. For more information, call (202) 463-5460.

In addition, many state and local chambers offer trade information.

Books And Directories

■ *Building An Import/Export Business*, by Kenneth D. Weiss (John Wiley & Sons Inc., $19.95).

■ *Import/Export: How to Get Started in International Trade*, by Carl A. Nelson (McGraw-Hill, $14.95).

■ *Taking Your Business Global: Your Small Business Guide to Successful International Trade*, by James Wilfong and Toni Seger (Career Press, $18.99).

■ *World Trade and Customs Directory*. Published semiannually. Arrowhead World Regulatory Directories; $399 a year or $359 a year self-renewing. Provides detailed listing of trade officials in 102 countries. For ordering information, call 1-800-869-2749.

■ *Exporters' Encyclopedia*. Published by Dun & Bradstreet; $495 a year with twice-monthly updates. This is a guide to export and trade information on 220 countries. Call 1-800-932-0025 to order.

Software

Various software programs are available for businesses seeking to begin exporting. For a description, see "Trade Links Via The Internet," in the December 1997 issue of *Nation's Business*.

remains a largely untapped source of exports, according to Dun & Bradstreet, a financial-services firm based in New York City. A survey by D&B early this year showed that only 6 percent of the nation's small businesses export.

Joseph J. Douress, director of global trade services for Dun & Bradstreet Information Services, says that other D&B data indicate that only one small business in 10 with exportable products or services is selling abroad.

But D&B's figures may not tell the full story. Many small businesses may be indirect exporters and not even know it.

"Many of them are suppliers to large firms whose business depends on exporting," says Mary Irace, vice president of the National Foreign Trade Council, a Washington, D.C.-based organization made up of large exporting companies.

A Matter Of Money

Nonetheless, as appealing as the opportunities are, starting to sell products to foreign customers can be an intimidating experience for an owner of a small U.S. firm.

Mock, of International Dehydrated Foods, advises finding an expert. "If there is someone or some government operation that knows its way around and can save you a lot of time, you should get yourself aligned with them," he says.

It's also a good idea, several experts say, to get a taste of exporting by doing business in Canada—the largest market for U.S. exports. Most Canadian companies generally follow U.S. business practices, and Canada is served by many of the same transportation companies that operate in the United States.

Moreover, Canada is all but duty-free, mainly as a result of the U.S.-Canada Free Trade Agreement, which took effect in 1989 and was replaced by the North American Free Trade Agreement in 1994. NAFTA, in turn, provided for gradual removal of tariffs and other trade barriers among the United States, Canada, and Mexico.

The Problem Of U.S. Sanctions

What can complicate trade, however—and hamper small firms' ability to succeed overseas—are unilateral economic sanctions imposed by the United States on other countries for various reasons.

The way free-trade proponents see it, U.S.-only sanctions do little good and could hurt U.S. exports and this nation's economy in the long run. The reason: The United States is no longer the world's dominant supplier of goods and services. "Wherever we're doing something on a unilateral basis, our competitors are doing business," says Marty Duggan, president and CEO of the Small Business Exporters Association, a Washington-based trade association.

The United States now has unilateral bans on trade of at least some items in effect for 72 nations. They include Cuba, Libya, North Korea, Sudan, and Iran as well as major trading partners such as China, Russia, Japan, Mexico, and even Canada, according to USA*Engage, a Washington-based coalition of businesses and agricultural groups.

Such bans and sanctions, USA*Engage says, cost $15 billion to $20 billion in potential exports in 1995.

Members of Congress concerned about China's human-rights practices are threatening to disapprove President Clinton's renewal of most-favored-nation (MFN) trade status for China. MFN is accorded to almost all U.S. trading partners and confers no special status on China. Without MFN status, China's exports to the United States would face higher tariffs, which could lead to retaliatory Chinese tariffs on goods and services from the United States.

Meanwhile, a number of bills are pending in Congress that would mandate additional sanctions on more countries for more reasons. At the same time, advocates of free trade have introduced legislation in the House and Senate to slow the process by which the United States decides to impose sanctions. The measures also would force lawmakers and administration officials to spell out deadlines and objectives and consider the economic impact of sanctions.

Sanctions can do serious damage to U.S. exporters because it takes time—sometimes years—to build up a customer base and to develop bonds with those customers.

One of the advantages that small businesses have over large companies is their ability to build those relationships faster through constant and direct communication with customers.

Being small has proved to be an advantage for O and O Supply Inc. in Pulaski, Wis., near Green Bay. O and O rebuilds and sells wrapping and folding machines for nonwoven paper products such as facial tissue and dispenser paper. About 75 percent of its sales are overseas, principally Latin America and the Pacific Rim.

Daniel Oberer, operations manager for the 20-employee company, says customers know that when they call, they can talk to him or to his father, Dennis, the firm's president and founder. "They don't have to go through a whole chain of command," says Daniel. "A response is only 15 minutes away."

Daniel says his customers "want the personal part of it, and smaller companies are able to do more [hand-holding] than big, clumsy companies."

XANTÉ Corp. of Mobile, Ala., gives the same attention to its customers worldwide. "If you want to have any degree of success in exporting, you have to show a commitment to the market," says Marty Kennedy, the company's vice president for international sales. The firm, which has 200 employees, makes high-end graphic printers for publishers and printing firms.

Overseas customers, Kennedy says, fear that "you'll sell them something and then they're totally on their own." It may be necessary in some cultures to establish a relationship in person, so your customer will get a better measure of you and your company, he says.

A Neglected Trade Tool

Trust and confidence are also at issue when the United States seeks trade agreements with other countries.

The lack of fast-track authority has put

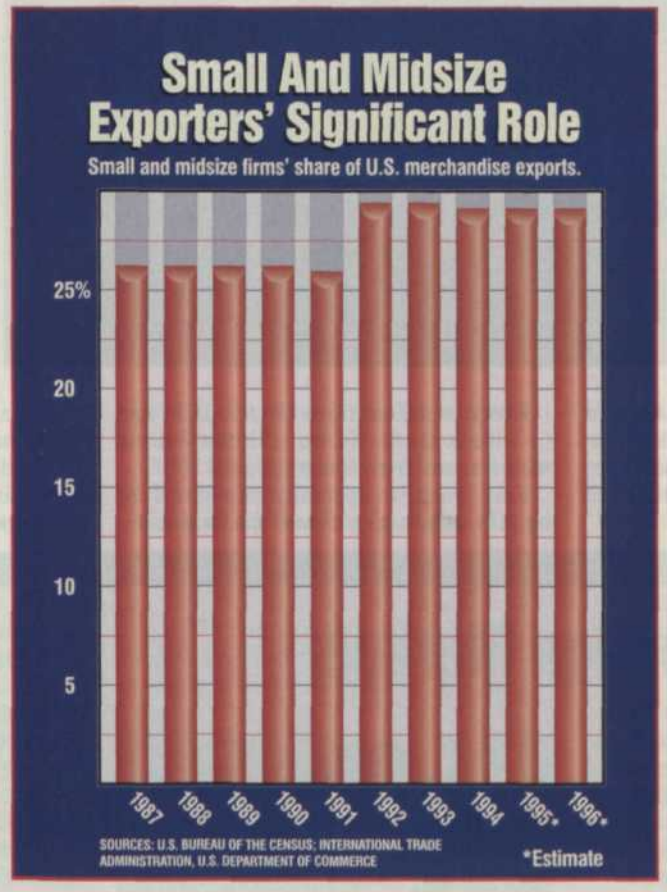




PHOTO: CHRIS ERICKSON

Being a small firm *can be an advantage in building relationships with foreign customers, say the principals of O and O Supply Inc., which rebuilds machines for wrapping and folding paper products; from left are Elizabeth L. Oberer, vice president; Dennis Oberer, president; and Daniel Oberer, operations manager.*

U.S. negotiators at a disadvantage in trade talks. As a result, other nations, especially in Latin America, are working out trade deals among themselves while U.S. envoys are left out.

Every president from 1974 to 1994 had fast-track authority, but Clinton did not seek renewal from Congress until 1997.

Fast-track is especially important for small businesses. "Small and medium-sized businesses are very dependent on the ability of the government to negotiate to open up markets of other countries," says John P. Sweeney, a policy analyst with the conservative Heritage Foundation in Washington.

The fast-track issue has become a prime example of the fraying of the free-trade coalition of mainstream Republicans and conservative Democrats that held the majority in Congress for more than a half-century.

"Trade policy is very much in flux, in transition, as a result of the disappearance of a bipartisan coalition," said Rep. Jim

Avenues To Foreign Markets

Marjory E. Searing is acting assistant secretary of commerce and director-general of the U.S. and Foreign Commercial Service. The service, with offices in 85 U.S. cities and 69 countries, provides marketing and technical information to businesses involved in trade.

In a recent interview with *Nation's Business*, she discussed the trade climate for small businesses and how they can take advantage of the export market.

Information she refers to is available from the Trade Information Center at the U.S. Department of Commerce, a clearinghouse for information on federal help in exporting. (See resources listing, Page 16.) The center can be reached at 1-800-USA-TRADE (1-800-872-8723) from 8:30 a.m. to 5:30 p.m. Eastern time weekdays or through an electronic-mail link at *www.ita.doc.gov/tic* on the World Wide Web.

Here are excerpts from the interview:

Q. What is the climate for small-business exporting?

A. There are tremendous opportunities around the world for new companies to begin to export, despite difficulties in some specific markets, such as Asia.



PHOTO: T. MICHAEL KEZA

Global markets *offer small firms good opportunities now, says Marjory E. Searing of the U.S. and Foreign Commercial Service.*

In every one of the countries in which we have commercial-service offices, we have developed a list of what we would call "best prospects," and there's a lot of opportunity for small business.

Q. Why should a small business consider exporting now?

A. Our market is relatively open, and we have a lot of imports coming into it. If you ultimately are going to be able to succeed in a global world, you need to go global. If you're competitive globally, you're competitive locally.

In addition, most small businesses want to grow. But the U.S. economic pie is ultimately limited. Over time, you have the potential for growing more by having your opportunities spread beyond one particular marketplace.

Q. Is this a good time or a bad time for small firms to get into exporting for the first time?

A. It's a good time, but it's hard to convince companies of that. When the U.S. economy is doing so well and companies feel they're performing at their peak capacity, they're less likely to think about the need to broaden their markets. But it's best to do so when you can afford it.

Q. Are there particular types of businesses that should be exporting and particular types that should not?

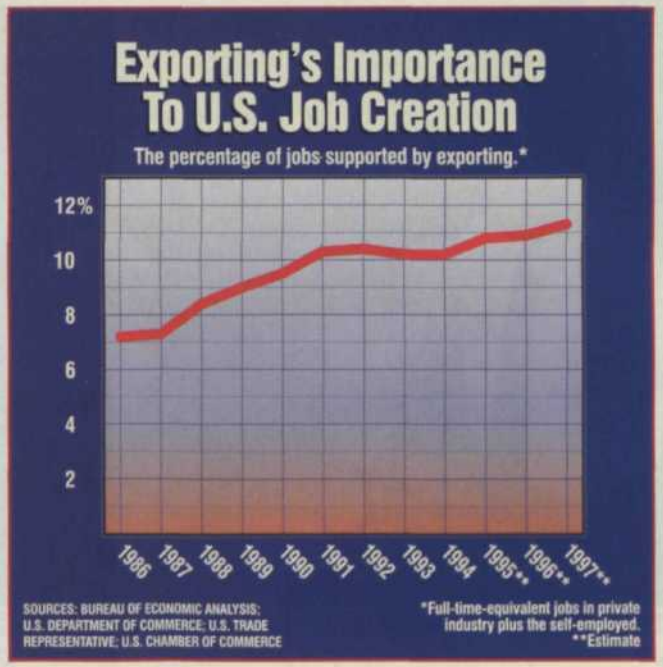
A. Products we make don't necessarily sell everywhere, so you need to be very strategic about the kind of foreign market you might consider. But if you manufacture a product that succeeds in the United States, there is likely to be some other market for you.

Kolbe, R-Ariz., at a meeting this spring of the World Economic Forum, an international organization with business, government, and academic members.

Change has occurred on both sides of the political aisle.

On the Democratic side, organized labor is having an impact with its anti-trade fervor. As a result, many Democratic free-trade lawmakers opposed fast-track for fear of retribution at the polls and loss of campaign contributions from labor.

On the Republican side, the internationalist wing that once dominated the party has dwindled. "Younger Republicans are less interested in international events, international repercussions. Their focus is internal," says Murray Weidenbaum, chairman of the Center for the Study of American Business at Washington University in St. Louis.



Bringing Home The Dollars

With or without governmental trade agreements, high on the list of concerns of most fiscally minded small-business exporters is getting paid for the product.

Generally, there are three ways to get paid for your exports:

Cash in advance or in stages. O and O Supply requires cash in stages. The company requires one-third payment before work begins at its plant on refurbishing a machine, one-third during the process, and the final third upon completion and prior to shipment to the customer.

Letter of credit. A letter of credit from the customer's bank to the exporter's bank assures the exporter that once specific documents containing specific information about the shipment of goods are delivered, payment will be made. (The letter of credit serves as a guarantee much as a credit card does for a hotel if you don't show up to pay for a room you've reserved.)

Open account credit. This method, common in the United States and Canada, is becoming more popular in Europe and Latin America. Under it, you ship the goods, send the bill, and wait for payment.

In some countries, U.S. companies have to wait as long as six months for payment. "We can't accept that," says Kennedy of

Q. What are the major issues small businesses face in trying to export for the first time?

A. We get companies that come in [to the Department of Commerce] and have never done this before and ask very basic questions like, "How do you get a freight forwarder?" or "What's a letter of credit?"

With the emergence of the Internet, we have had companies come to us that have put a home page on the Internet, expecting to get a hit from Montana. They'll get an inquiry about their product from Germany, and so they ask, "How do we make a foreign sale?"

Q. What are the keys to winning over foreign customers?

A. You have to figure out whether there's a market for your product in a particular country. You need to identify local taste and be familiar with local business practices. You need to be sensitive to the culture.

There's a way to do business in each of these countries that is different from here, and you have to develop some skill in that area.

When most small and medium-sized companies first go into a foreign market, they seek out either a local distributor or a local agent to help them with those kinds of things.

Q. How can the Department of Commerce and the federal government in general help small-business exporters?

A. One of our concerns is that our small and medium-sized companies do not contribute to our export performance the way they contribute to our gross domestic product—there's a real gap there. They're a tremendous driver in our GDP, but they're still much less of a driver in exports.

We feel we can do better. We have 100 Export Assistance Centers around the country.

And we have a number of people within our offices who try to recruit new companies to export by visiting them and talking about the benefits of exporting.

Q. How should a small-business owner proceed given the unsettled trade issues, such as sanctions, around the world?

A. There are countries with which we trade that are much less likely to be subjected to some of that than others. If I were a business person, I'd look at those first.

As you diversify your market and develop a variety of markets, you might want to try out some of these more unstable markets.

I wouldn't start in some of those because you could find yourself having made a substantial investment and still not be able to overcome the difficulty.

Q. What has been the impact of the Internet on trade?

A. There is an opportunity for increasing trade, although it is much harder in some markets than others. For example, the Canadians approach business the way we do, whereas in Japan, it's going to take a long time for the Internet to be an accepted business practice because the Japanese really want to develop an interpersonal relationship with their suppliers. Japan is not the only place that's like that.

But the Internet offers a great way to learn the business without a lot of upfront investment.

Q. What's the prospect for trade in the next year or so generally?

A. With many of the developments in Asia, we've lost a lot of the economic growth that's resulted in some of our export success. We do not expect a very good trade balance this year. That does not mean you can't export. There continue to be markets that are growing at a very substantial rate—7, 8, and 9 percent [annual] economic growth. As some of the other countries begin to get out of their economic distresses and begin to grow again, export performance will be even better overall.

XANTÉ. He says that for new customers, the company might require cash on delivery backed up by a standby letter of credit. For longtime customers, he says, credit terms are more lenient.

Imports' Growth

Whether payment terms involve a letter of credit, an open account, or cash on delivery or in advance, the value of U.S. exports consistently lags behind the value of the goods and services imported into the U.S. market. That adds up to a trade deficit, and it has some experts worried.



PHOTO: ©KARIM SHAMSI-BASHA

XANTÉ Corp., *an Alabama firm that makes graphic printers, prides itself on taking care of its foreign customers but takes steps to make sure it will be paid in a timely fashion, say Robert C. Ross Jr., left, president, and Marty Kennedy, vice president for international sales.*

Although to some the trade deficit seems relatively minuscule—$113 billion last year in an $8 trillion economy—others express concern that a deepening deficit could increase protectionist sentiment in Congress and elsewhere, especially if the U.S. economy slips into recession. Some economists believe that the greater deficits have shaved as much as half a percentage point off the growth in the U.S. gross domestic product for the first quarter of this year.

Treasury Secretary Robert E. Rubin warned Congress recently that those worried about the trade deficit ought to be supporting increased U.S. aid to the International Monetary Fund, which is in need of replenishment after meeting heavy demands for loans to Asian nations.

Early this year the Senate passed a request for $18 billion more for the IMF, but at press time the House had not taken up the request.

Concern is mixed among observers.

Clayton Yeutter, who has served as U.S. trade representative and as secretary of agriculture, says that although the trade deficit isn't getting much attention now, it could become a major issue as a result of the Asian financial crisis or a slowdown in the U.S. economy. Yeutter is an attorney with Hogan & Hartson, a law and lobbying firm in Washington.

Dan Griswold, associate director of the Center for Trade Policy Studies at the Cato Institute, a libertarian public-policy research organization in Washington, says trade deficits are almost irrelevant. He adds: "They signal global investor confidence in the United States and rising purchasing power among domestic customers."

Also at work as a potential threat to U.S. trade and the economy is the impending creation of a single European currency, the "euro," which will have a dramatic impact on how business is conducted on the continent.

Eleven nations have agreed to convert from their individual national currencies to the euro on Jan. 1, 2002, and the three European Union nations that haven't may join later. The 11 are Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain.

In the long run, however, the euro could become a major competitor to the U.S. dollar. "If the euro works and is a stable currency, it could erode the role of the U.S. dollar as a reserve currency and possibly drive up interest rates," says Thomas J. Duesterberg, director of the Washington office of the Hudson Institute, a conservative, Indianapolis-based research organization.

On the positive side, Michael Van der Lof, a senior manager in New York City with Ernst & Young, an international accounting and management firm, says, "For smaller U.S. companies, it's going to be easier to do business in Europe."

The United States' Top 10 Customers

The value of U.S. exports to each country, in millions of dollars in 1997.

Canada	$151,451
Mexico	71,378
Japan	65,673
United Kingdom	36,435
South Korea	25,067
Germany	24,467
Taiwan	20,388
Netherlands	19,822
Singapore	17,727
France	15,982

SOURCE: PRELIMINARY DATA FROM THE INTERNATIONAL TRADE ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

World trade has come a long way since Marco Polo brought back the first curious items from the Far East and Dutch traders sailed the seas with lavish goods.

Nowadays, virtually every aisle of every store in the United States is an international tour of sorts, with foreign-made items that Americans depend on daily. And, with the World Wide Web as a modern-day bazaar, trade can occur as quickly as it takes to make a few keystrokes on a computer.

Douress of Dun & Bradstreet says that more than 100,000 U.S. small firms are in the exporting business, and that their prospects are pretty good simply because they can stamp "Made In The U.S.A." on their products. "Generally," he adds, "if we make it, there's demand for it globally."

Whether the demand can and will be met by U.S. companies may depend on whether U.S. trade policy-makers can resist the pull of protectionism and fear of a global marketplace and move to sustain the U.S. role as a pre-eminent player among trading nations. NB

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Small Business Financial Adviser

Stock Market Pauses; Investors Wary Of Asia

By Randy Myers

All eyes east. Just over a year since the eruption of Asia's economic crisis, it is becoming clear that the outlook for U.S. stocks and bonds will, for the time being, depend in large part on how quickly those Far Eastern economies recover.

That was made abundantly clear in the second quarter, as the recently hard-charging U.S. stock market fragmented sharply. Stocks of utilities and big consumer-goods companies that do a lot of domestic business did OK, but many that depend on strong export markets failed to keep pace. If Asia can't shake off its financial slump, Wall Street now reasons, it will be bad for this country's increasingly global business community.

Reflecting that concern, domestic stock funds lost 0.3 percent on average in the second quarter, leaving them up 11.8 percent for the first half, according to Lipper Analytical Services in Summit, N.J.

Funds that invest in big-company stocks earned an average of 3.2 percent in the latest quarter as investors pursued a classic "flight to quality," while those focused on small-company issues lost 4.1 percent.

Spooked by the uncertainty in the stock market, some investors turned to bonds, where their buying pressure drove rates on 30-year Treasuries to historical lows and allowed the average taxable domestic bond fund to post a total return (price appreciation plus dividends) of 1.46 percent.

The Asian Effect

In sharp contrast to their thinking in the first quarter, investors were paralyzed in the second quarter by fears about how the Asian crisis would impact the profitability of U.S. corporations. According to a recent *Wall Street Journal* report, stock analysts have already cut their estimates for second-quarter earnings gains for U.S. companies to 4 percent from 12 percent. And many economists expect the U.S. economy to grow at only about half the rate it did in the first quarter, when it expanded at a 5.4 percent annualized rate.

"The one thing I worry about—and the one thing we don't want to be worrying about each quarter—is that IBM or Motorola or 3M or some other big company is going to tell us that their sales and earnings are going to be below expectations because of Asia," says Hugh Johnson, chief investment officer for First Albany Corp. in Albany, N.Y. "That [worry-

Randy Myers, formerly a writer and editor for Dow Jones & Co., Inc., is a financial writer in Dover, Pa.

Performance By Mutual Fund Category

With Dividends Reinvested Through June 30

Type Of Fund	2nd Quarter	One Year	Five Years*
General Stock Funds			
Capital-appreciation funds	0.29%	22.12%	16.82%
Growth funds	1.85	25.38	19.25
Midsize-company funds	-1.40	22.22	16.95
Small-company funds	-4.11	17.68	16.97
Micro-company funds	-4.19	23.94	16.92
Growth and income funds	0.27	22.86	19.03
S&P 500 Index objective funds	3.18	29.39	22.55
Equity income funds	-0.97	20.95	17.64
General Stock Funds Average	**-0.29**	**22.62**	**18.45**
Sector Stock Funds			
Health/biotechnology funds	-1.73	17.97	21.64
Natural-resources funds	-10.46	-10.98	8.25
Science and technology funds	3.33	22.70	22.97
Telecommunications funds	1.03	38.23	18.24
Utility funds	-1.60	25.93	12.30
Financial-services funds	1.73	35.16	25.91
Real-estate funds	-5.09	9.07	9.76
Specialty/miscellaneous funds	-1.51	17.13	15.62
Sector Stock Funds Average	**-2.17**	**17.21**	**16.60**
International Stock Funds			
Gold-oriented funds	-16.04	-34.97	-10.61
Global funds	0.26	14.05	15.31
Global small-company funds	-2.15	6.18	14.37
International funds	0.72	8.19	12.41
International small-company funds	3.31	11.21	10.91
European-region funds	6.30	33.00	21.19
Pacific-region funds	-15.95	-40.37	-3.14
Japanese funds	-1.18	-24.98	-5.90
Pacific funds, excluding Japan	-26.93	-53.18	-7.61
China-region funds	-28.34	-50.92	-5.86
Emerging-markets funds	-19.71	-31.86	-0.53
Latin American funds	-19.01	-24.20	4.60
Canadian funds	-14.83	-16.35	1.32
International Stock Funds Average	**-5.38**	**-3.96**	**10.06**
All Stock Funds Average	**-1.84**	**14.99**	**16.71**
Mixed Equity Funds			
Flexible portfolio funds	1.21	18.16	14.16
Global flexible portfolio funds	0.23	11.34	11.38
Balanced funds	1.15	17.58	13.97
Balanced target maturity funds	0.18	12.44	9.08
Convertible-securities funds	-1.55	14.08	12.71
Income funds	0.40	13.95	12.26
Mixed Equity Funds Average	**0.80**	**16.38**	**13.46**
Domestic Long-Term Fixed Income	1.56	8.98	6.33

SOURCE: LIPPER ANALYTICAL SERVICES INC. *Average change for each of the five years

CHARTS: GEORGIA LEIGH MCDONALD

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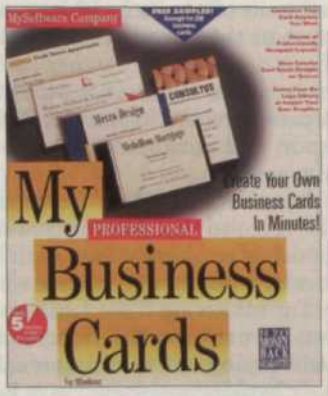
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ing] will end, but it will only end if Japan rights its ship. As Japan goes, so goes Asia."

Entering the third quarter, Japan gave Wall Street some reason to be optimistic. It pledged to create a "bridge bank" to get bad loans off the books of Japanese banks, much as the U.S. government did for the then-troubled U.S. savings and loan industry in the 1980s. That would free those Japanese banks to start lending in Asia again and perhaps spark the region's economies.

Japan's ruling Liberal Democratic Party also revealed that it would consider implementing permanent tax cuts after the country's July 12 upper-house elections.

"I'm not saying these measures are perfect, but until now the Japanese have only been toying with finding a solution to their banking problems," says Ron Chapman, head of international equities for The Dreyfus Corp., a big mutual-fund company based in New York City.

"Now the Japanese political leadership realizes that the country is in as big a fix as it was in the 1973-74 oil crisis, and the Japanese remember that crisis very, very well," he notes. "The situation is similar to what we'd have here if people said we were in the worst crisis since the Great Depression."

Chapman predicts a "relief rally" in Asia's emerging stock markets, such as Singapore's and Hong Kong's, as a result of Japan's actions, but he doesn't foresee real economic improvement or long-lasting stock-market advances in those countries for two more years. That's dispiriting for investors in mutual funds that focus on the Far East. According to Lipper Analytical, Japanese funds lost 1.2 percent on average in the second quarter, while Pacific funds that exclude Japan lost 26.9 percent.

Latin America And Europe

Things weren't much better for investors in Latin American funds, though, which on average fell 19 percent during the second quarter. In Brazil, high interest rates are killing the economy, and political support for the government's financial reforms is waning. In Mexico, exports are down and imports are up, and inflation is starting to take hold.

The one bright spot on the international equity scene is continental Europe, where many of the same conditions that have driven the U.S. stock market higher in recent years are taking hold. Mutual funds investing in European stocks earned 6.3 percent on average in the second quarter, according to Lipper Analytical.

Those gains reflect the fact that European companies are restructuring to focus on creating value for shareholders, says Klaus Martini, manager of the Deutsche Top 50 Europe Portfolio, based in Frankfurt, Germany.

Also, inflation and interest rates are low in Europe, and pension funds and individual investors alike are making bigger commitments to European stock markets. Meanwhile, deregulation and privatization of government-controlled industries and the ever-nearing introduction of a common European currency are promoting corporate efficiency in the region.

The big gains being posted in European stock markets "won't go on forever because valuations [stock prices relative to corporate earnings] are not low," warns Martini. "But they are still justifiable because we have this low-inflation, low-interest-rate situation. Over the next 12 to 24 months we will still see enough money going into these stock markets—and enough earnings gains from corporate restructurings and a moderately growing economy—to have decent performance."

Stock Performance In The Second Quarter

Industry Group	Change In Value April 1 to June 30
Internet	51.4%
Computer hardware	11.4
Retail	8.4
Computer software and services	6.5
Drugs	5.6
Financial services	5.2
Leisure	5.0
Insurance	4.7
Media	4.1
Conglomerates	3.6
Nasdaq Index	**3.2**
S&P Industrial Index	**3.2**
S&P 500 Index	**2.9**
Food and beverage	1.8
Dow Jones Industrial Average	**1.7**
NYSE Index	**1.0**
Real estate	0.8
Media General Stock Index	**0.6**
Telecommunications	-0.1
Chemicals	-0.6
Banking	-0.7
Automotive	-0.8
Materials and construction	-0.8
Consumer nondurables	-1.5
Health services	-1.8
AMEX Index	**-2.7**
Utilities	-3.0
Wholesale	-3.3
Energy	-3.4
Consumer durables	-4.7
Tobacco	-6.7
Aerospace/defense	-6.8
Diversified services	-7.4
Electronics	-8.1
Specialty retail	-8.7
Manufacturing	-10.1
Transportation	-14.2
Metals and mining	-14.6

SOURCE: MEDIA GENERAL FINANCIAL SERVICES

Decision Time For Investors

The turmoil in the world's financial markets presents U.S. investors with a number of opportunities. Those who wish to commit some of their assets to international stocks can continue to ride Europe's bull market for now, but they may also want to think about adding some exposure to Japan if they're willing to wait two to five years for a payoff, says Chapman.

"Japan is the only major market in the world currently in a bear market," Chapman says. "If the Japanese begin to make the investor-friendly changes they're talking about, there's every reason to believe that two to three years from now you're going to start a bull market such as we have seen in continental Europe over the last couple of years."

First Albany's Johnson agrees: "Investors need to be ready to react to what happens in Japan. If Japan announces a believable package [of economic reforms], that's bad news for [U.S.] bonds and good news for companies that produce basic materials and technology companies. If Japan does not announce a believable package, the yen will go down, the dollar will rise, the markets of Asia will go down, utilities and consumer noncyclical companies will do well here at home, and technology and basic-materials companies will do poorly."

Interest rates on long-term bonds are not much higher than those on short-term bonds, and there's little prospect for bond prices to go much higher anytime soon. As a result, investors who want exposure to the U.S. fixed-income market will find the best values right now in high-yield corporate bonds, adds Les Nanberg, chief fixed-income officer for Massachusetts Financial Services, a Boston-based fund company.

High-yield bonds are those issued by companies that haven't earned an investment-grade rating.

"Corporate America is in much better shape than it's been in for a long time, so if you do your homework, you can find good companies with 10-year bonds that are yielding as much as 3.8 percentage points more than comparable-maturity Treasuries, which are only paying about 5.6 percent right now," Nanberg said in early July. "This is the perfect environment for these companies to do well." ■

OWNERSHIP

Selling Your Business: A Preview Of The Process

By Gloria Gibbs Marullo

Thinking about selling your business? If your answer is yes, you face further questions and certain tax-driven decisions, depending on how your company is structured.

Because tax rules on the sale of companies are so complex and each firm has its own circumstances, it's imperative that the seller have an accountant or an attorney to help with the process.

If your firm is incorporated, for example, one of the most important decisions you must make right away is whether to sell stock or assets.

Generally, buyers prefer to purchase assets rather than stock; by doing so, they insulate themselves from liabilities they might acquire with stock. For those who want to sell a C corporation or an S corporation, however, there are financial incentives to sell stock rather than assets.

Of course, if you have a sole proprietorship, a partnership, or a limited-liability company, you have only assets to sell, such as the building, inventory, a customer list, furnishings, and equipment. As a rule, money you receive for the sale of an asset may be taxed as ordinary income up to your basis in the asset (usually the cost of the asset less depreciation). Any money received in excess of your basis may be taxed as a capital gain.

The highest personal tax rate for ordinary income is 39.6 percent. Under the 1997 Taxpayer Relief Act, the long-term capital-gains rate for individuals was cut to 20 percent from 28 percent for assets held at least 18 months.

If you sell a capital asset—whether it's 100 shares of stock in your personal portfolio or 100 percent of the stock in your incorporated business—you must pay capital-gains tax on the difference between the selling price and the amount of your investment.

When It's An Asset Sale

If you sell a corporation's assets rather than its stock, the proceeds will be taxed according to whether it's a C corporation or an S corporation.

For C corporations, you may pay twice—a corporate capital-gains tax on any gain from the sale of the assets and personal tax on any distribution from the corporation. (The top C-corporation capital-gains rate of 39 percent is nearly double the individual long-term capital-gains rate.)

With S corporations, the proceeds from an asset sale flow through the corporation to the individual, but the items retain their character when they are passed through, says Susan Jacksack, an analyst with CCH Inc., a firm that provides information on tax and business law. For example, a long-term capital gain is reported as such on the shareholder's tax return rather than being lumped in as ordinary income, she says. Gains allocated to property held for one year or less, inventory, or accounts receivable are treated as ordinary income, as are amounts paid under noncompete agreements.



PHOTO ILLUSTRATION: GEORGIA LEIGH MCDONALD

The Capital-Gains Incentive

Now that the tax rate for long-term capital gains has been lowered to 20 percent, more owners of incorporated businesses will press for stock sales, says Joseph H. Rodenberg, a CPA and managing partner of Rodenberg and Associates in Indianapolis. "While every sale and situation is different," he says, "the rule of thumb is that sellers want to sell stock and buyers want to buy assets."

Gary Anderson, president of Sibley Industries Inc., an Anderson, Mo., manufacturer of heating systems for poultry farms, has been on both the buyer's and the seller's sides of the stock-versus-assets question.

When Anderson bought Sibley six years ago, he purchased only assets—the building, inventory, and equipment. Then he formed an S corporation. Now Anderson, 54, is closing a stock sale of Sibley Industries to CTB International Corp. of Milford, Ind.

Why not sell assets? "It's complicated," says Anderson, "but my accountants looked at both stock and asset deals, and from a tax perspective—especially with capital gains now taxed at 20 percent—the stock sale made more sense for my situation."

Reasons On Both Sides

Another benefit for the owner in choosing a stock rather than an assets sale is that business liabilities, whether known or unknown, are transferred to the buyer via the stock. For example, the buyer could be responsible for future product-liability claims, contract disputes, liabilities arising from employee benefit plans, or even unpaid taxes.

"The potential liabilities of a business make most buyers want asset deals," says broker Bill Womack, owner of Landmark/VR Business Brokers in Arlington, Texas. "If a business is involved in litigation over product warranties, or the Internal Revenue Service is inquiring about back taxes, those liabilities pass to the buyer in a stock sale."

If a contract for a stock sale is well-drafted, however, it will exempt the buyer from any known or unknown tax liabilities. If the buyer purchases only assets, the liability problems remain the responsibility of the original owner.

Another reason buyers prefer to buy assets is that they can "step up" the basis of depreciable assets.

Say you bought manufacturing equipment in 1990 for $5,000 and it has a five-year tax life. When you decide to sell your business in 1998, the asset has been fully

depreciated for several years and has a net tax value of zero.

If you sell your business as stock, the zero basis of the machine carries over to the new buyer, who will not be able to take any additional deductions for depreciation.

If ownership is transferred through an asset sale, however, the value of the equipment would be stepped up to its fair market value—say $4,000—and the new owner could start depreciating the asset with a new five-year tax life.

> "Unfortunately, most small businesses have terrible records."
>
> —Bill Womack, Landmark/VR Business Brokers

Coming Up With A Figure

Because of the unfavorable tax treatment for the seller in an asset sale, the seller should set a price that's higher than any that would be set for a stock sale.

"What the 20 percent capital-gains rate will do is increase the negotiated price of an asset sale of a corporate business to offset the seller's sacrifice of the lower capital-gains rate he or she would have had in a stock sale," explains Rodenberg. The residual liability risks that go with an asset sale also should boost the asking price.

If you choose to sell assets, you need to know what assets you have, where they are, and how much they're worth. "Unfortunately," says Womack, "most small businesses have terrible records of inventory, equipment, income, income taxes—you name it. We can't sell your assets if you don't know what you have."

Putting a price on those assets is more art than science, says Womack. Some businesses adopt a "replacement cost" approach to valuation: What would it cost to buy the assets and start the business from scratch?

Others look at recently sold companies in the same line of business. A third approach is to establish a price based on estimated future cash flows or a percentage of gross sales.

The hardest part of the process, however, "is convincing the seller the price is reasonable," says Julie Johnson, a broker with Venture Resource Business Brokers in Louisville, Ky., and president of the International Business Brokers Association.

No matter what valuation method is used, all business brokers start with three to five years of financial statements and income-tax returns. The next step is to adjust your income statement to eliminate "discretionary" expenses to get at the true profits of your business.

Discretionary items could be large business expenses such as a one-time cost for a major roof repair. More likely, the discretionary expenses are family-related, such as inflated salaries for children or other relatives on the payroll.

"What I do," says Womack, "is start with three columns." The first column is the information from the accountant's income statement. The second column is for the discretionary items, and the net in the third column is the adjusted profit.

Once you catalog your company's assets and calculate three to five years of net profit minus discretionary items, you're ready to weigh the pros and cons of selling stock versus assets.

Ultimately, you might not have to sell your business. But you need a firm grasp of the issues before you decide.

Gloria Gibbs Marullo is a CPA and business writer in South Bend, Ind.

TAX DEDUCTIONS

A Lower-Cost Menu

By Susan Hodges

A legislative change in the tax code that took effect Jan. 1 lets business owners—under certain conditions—deduct 100 percent, rather than 50 percent, of the cost of food provided to workers on the job.

The deduction applies for the cost of meals provided to employees free of charge or below fair market value in an eating facility on the premises. Generally, to obtain the full deduction, the facility must have revenue equal to or exceeding its direct operating costs.

"Size [of the facility] doesn't matter, but it does need to be a true eating facility," says Larry Blevins, an Internal Revenue Service spokesman. Thus, hotels and any business with a lunchroom or dining facility that meets the operating-costs requirement would be eligible for the full deduction.



The legislative change does not affect a separate, long-standing tax-code provision that permits full deductibility of the cost of occasional meals for employees—such as pizza for everybody at the end of a big project—even if there is no eating facility on the premises. Many business owners have thought they could deduct only 50 percent of their costs for such occasional meals.

The after-project pizzas may not involve a lot of money, says Alan Bekelman, president of Development Services Group, a consulting firm in Bethesda, Md., "but these meals contribute to the morale of everyone in the firm."

A separate change under the legislation affects workers—both independent contractors and employees, says the IRS—whose hours are regulated by the U.S. Department of Transportation. For example, interstate truck drivers, commercial pilots, railroad workers, and merchant mariners are among those not allowed to work more than 10 hours without a break.

Under the new rule, the tax deduction for meals eaten on the job rises in stages over 10 years to 80 percent from 50 percent; it went to 55 percent this year.

The increase is intended to restore the meal deduction to "certain workers who are forced to eat away from home and are unlikely to abuse the deduction," according to the tax code.

Although the deduction increase might prompt some workers to spend more for meals on the road, truck-stop manager Richard Hard says, "I don't think [the gradual increase] is going to have an effect at all" on businesses such as his. Hard, who runs The Flying Jay restaurant on Interstate 465 in Indianapolis, says, "Truck drivers will always need fuel, and they're going to keep stopping here and eating here no matter what the deduction is."

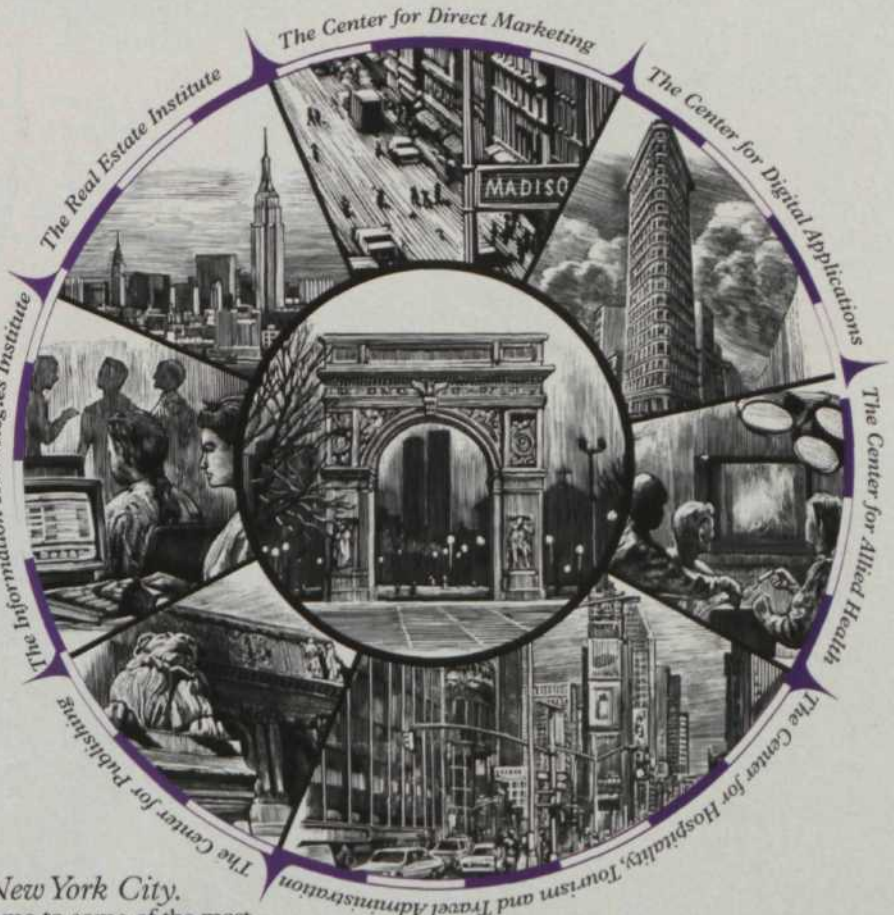


Kathleen O'Leary, legislative representative for the National Restaurant Association in Washington, D.C., says truckers—who also pushed for the increase—and eating establishments near major highways will probably both benefit.

"These changes are small, but they're a big deal for business deductibility," says O'Leary, and they represent "a small step in the right direction." The National Restaurant Association is lobbying for full meal deductibility for all business owners.

Susan Hodges is a free-lance writer in Takoma Park, Md.

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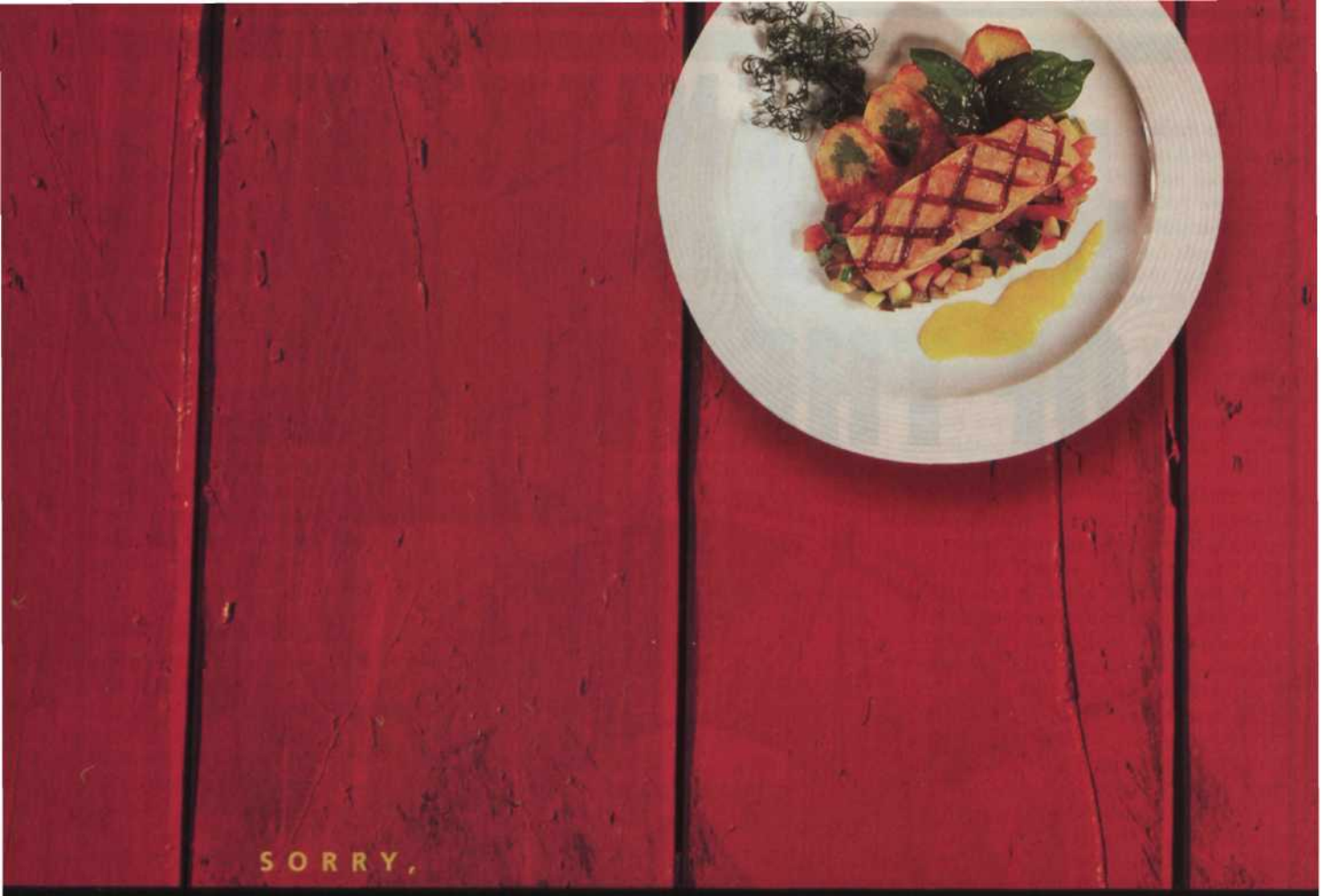
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LEGISLATION

Reaching The Limit On Worker Visas

Strapped for highly skilled workers, businesses are pushing to raise the cap on permits for foreign employees.

By David Warner

Jian Yang helps Woodward White Inc. of Aiken, S.C., harness the power of technology to match critically ill patients with top medical specialists from around the world. Jian's expertise in designing and maintaining the company's sophisticated database software is, literally, a matter of life and death for some people.

But Jian, who has done graduate work, is from China and is in this country on a student visa that expires in August. The temporary foreign-specialist visa for which he is eligible won't be available until Oct. 1, when the new federal fiscal year begins. When his current visa expires, he will have to sit idle—off the company's payroll—or return to China. (Under the law, he cannot work when his student visa expires; whether he would have to return to his homeland is uncertain, but he may have little choice if he has no income.)

All the 65,000 foreign-specialist permits, known as H-1B permits, that were allowed for the current fiscal year were allocated by mid-May. The 65,000 cap was set by Congress in the 1990 immigration act. The law was passed to increase permanent-visa numbers and to create the category of H-1B for temporary visas, which are valid for six years.

"If Jian is unable to work for us for this period of time," says Steve Naifeh, chairman and CEO of 50-employee Woodward White, "it will significantly delay our ability to implement programs to help critically ill patients."

Hundreds of companies nationwide face situations similar to Naifeh's: They have identified foreign specialists for critical positions but are unable to secure H-1B visas for them because the cap has been reached.

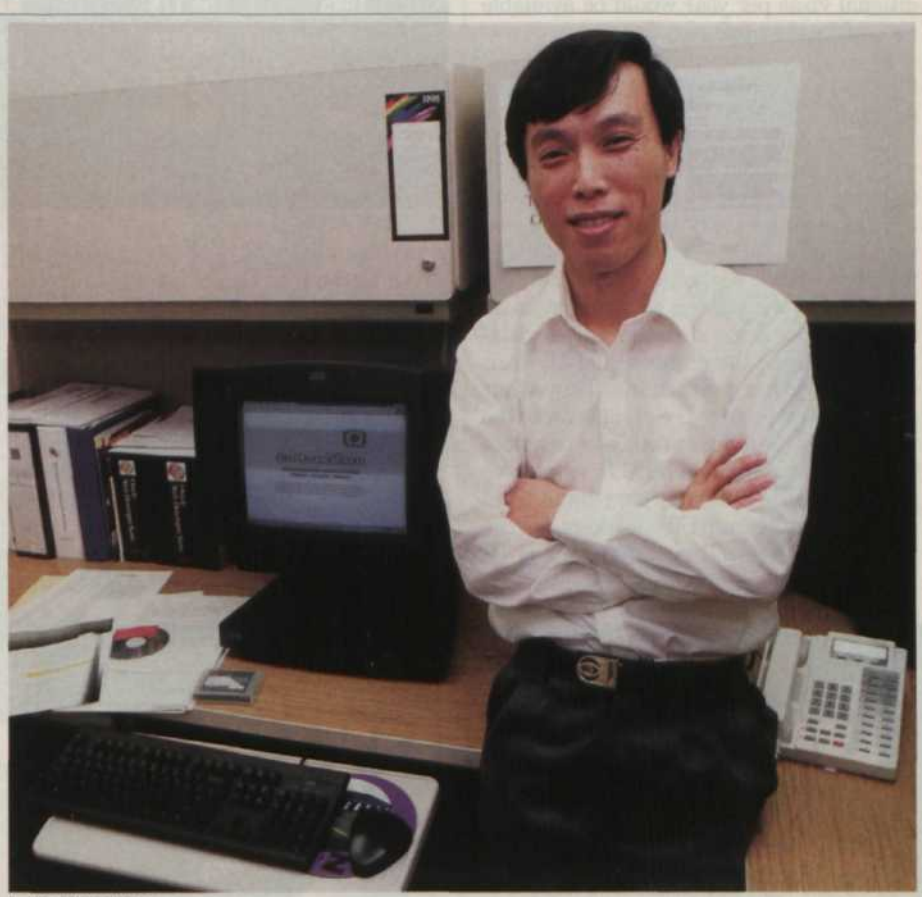


PHOTO: ©RON COCKERILLE

With time running out *on his student visa, software designer Jian Yang, who is from China, will be forced to leave his U.S. job unless Congress raises the ceiling on H-1B temporary visas.*

Demand Outstripping Supply

This is the second consecutive year that the visa cap has been reached before the end of the fiscal year. (See the chart on Page 28.) Experts attribute this to the booming U.S. economy and the resulting low unemployment rate—just 4.3 percent in April and May, a 28-year low—which have prompted more companies to look overseas for employees.

High-tech companies in particular have turned increasingly to highly skilled foreigners because of the dearth of available U.S. workers with skills needed by the firms. A recent study conducted by Virginia Polytechnic Institute for the Information Technology Association of America in Arlington, Va., estimated that U.S. high-tech firms alone have more than 340,000 vacancies.

While there are 140,000 permanent business visas available each year to U.S. employers, the process for obtaining them is costly and time-consuming, says Daryl R. Buffenstein, head of the national immigration practice for Paul, Hastings, Janofsky & Walker, a law firm in Atlanta. Permanent visas of all types take two to four years to process.

Congress set up the H-1B program to allow U.S. employers to fill critical positions quickly with foreign specialists when no U.S. specialist can be found. The program, says Buffenstein, allows firms to "bring in key people who have specialties that they apply in particular areas, bring in new technologies and new expertise."

It takes a company about two months and costs about $5,000 to secure an H-1B visa. Only foreigners with a degree equivalent to a bachelor's or a combination of education and experience in the field for which they are being sought can receive an H-1B visa. Such foreign professionals are required by law to be paid at least the local "prevailing" wage, which is the typical wage for their specialty.

Legislative Responses

Lawmakers are considering legislation to raise the yearly cap on H-1B visas. In May,

the Senate approved a bill sponsored by Sen. Spencer Abraham, R-Mich., that would raise the cap to 95,000 for fiscal 1998. The additional 30,000 visas would be available for foreign workers whose visa applications had been denied because of the cap and for those who might file between the date the measure is enacted and Oct. 1. For fiscal years 1999 through 2002, the annual cap would be 105,000, and 10,000 additional visas per year would be available for health-care professionals.

The measure would add a penalty of $25,000 per violation for any employer who laid off a U.S. worker to replace the employee with an H-1B worker and then willfully paid that foreign employee less than the prevailing wage.

Those two potential abuses of the system—layoffs and underpayment of foreign workers—have been cited by some lawmakers and the Clinton administration as reasons for making sure that any legislation to increase the number of H-1B visas includes worker protections. They want provisions requiring U.S. employers who wish to hire foreign specialists to attest that they have not laid off U.S. employees for six months and that they have tried and failed to recruit U.S. workers for the positions for which they are seeking H-1B visas—requirements that would be enforced by the U.S. Department of Labor.

Hitting The Cap

Fiscal Year (Ending Sept. 30)	Number Of H-1B Visas Issued	Date That The 65,000 Cap Was Reached
1998	65,000	May 11
1997	65,000	Sept. 1
1996	55,141	NA
1995	54,178	NA
1994	60,279	NA
1993	61,591	NA
1992	48,645	NA

SOURCE: DEPARTMENT OF JUSTICE, IMMIGRATION AND NATURALIZATION SERVICE

CHART: KATHLEEN VETTER

A measure pending in the House of Representatives and sponsored by Rep. Lamar S. Smith, R-Texas, contains such provisions. The bill, which could be considered before Congress' August recess, would raise the H-1B cap to 95,000 for fiscal 1998, 105,000 for 1999, and 115,000 for 2000. But the cap would fall back to 65,000 for subsequent fiscal years.

"Smith's bill has a temporary increase in the cap in exchange for permanent changes in the [H-1B] program," says Judy Golub, director of advocacy for the American Immigration Lawyers Association in Washington, D.C. "That seems out of balance. We believe that the bill would impose such a regulatory burden on employers that it would render the [H-1B] program useless."

The Department of Labor, Golub notes, would be the judge of an employer's recruitment efforts. That level of uncertainty, Golub says, probably would prompt many employers to leave positions unfilled rather than try to hire foreign specialists.

Attorney Buffenstein adds that the current law has "fail-safe protections" allowing the Labor Department to prosecute employers who abuse the H-1B system.

Business groups are working with Smith to reach a compromise on what he calls the worker-protection provisions.

A Job-Creating Program

Many immigration experts, including Buffenstein and Golub, say there is plenty of anecdotal evidence that rather than costing U.S. employees their jobs, H-1B workers create employment opportunities for U.S. citizens. S.A. de Kock, director of Langford de Kock & Co., an accounting firm in Atlanta that specializes in helping foreign-owned companies establish subsidiaries in the Southeast, says that thousands of jobs have been created and filled by U.S. workers in that region in the past few years by foreign firms that use foreign specialists on H-1B visas. The specialists help get the subsidiaries up and running.

"These companies start up with good capital, they put up little factories, employ 30 to 40 people in these little towns that have available labor, and most of them will employ specialists" from their countries, says de Kock. His firm, he says, has helped more than 30 foreign-owned companies set up subsidiaries over the past two years.

Even de Kock's 45-employee firm has used the H-1B program to employ foreign specialists familiar with the accounting practices of his clients' home countries.

Naifeh of the Woodward White medical-services firm says the department for which Jian works now employs 12 people but will expand to 40 workers in the next six months if Jian can get an H-1B visa to continue working on the company's database software programs.

"It's going to make it very difficult for us to add the number of employees we're poised to add if we don't have [Jian] managing the software that he's created," says Naifeh. NB



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MANAGING

Counting Down To The Year 2000

When it's time to turn the calendar to 2000, will your software— not to mention your sprinkler system—be ready? If not, a court date could lie ahead.

By Michael Barrier

It's Monday morning, Jan. 3, 2000. When you open the door to your office, you realize immediately that you've got big trouble.

Something has triggered the sprinkler system—everything is soaked. When you get the place dried out, you turn on your computers. Software that's critical to operating the company crashes the first time you try to access it.

You've got computer-controlled machines on your factory floor. When you turn them on, they won't work. You've got big customers that will drop you quickly if you can't deliver what they need, but your suppliers and friendly competitors can't help you—they're experiencing similar problems.

That is, of course, a nightmare scenario. Nothing like it is going to happen to most small businesses when the year 2000 arrives, less than 18 months from now. But a less catastrophic version is likely to hit a lot of companies, and some others will be put out of business by what is widely known as the "millennium bug."



PHOTO: ©JOHN ZICH

Consultants who were brought in *when Shamrock Plastics bought order-processing software in 1995 never mentioned the year 2000 problem, says Carol Brockway, left, the firm's accounting manager, with Jack Hathaway, sales manager, and Mary Cay Westphal, president.*

That "bug" was created by computer programmers' decision—entirely reasonable decades ago—to reduce dates to as few digits as possible. As the result of this decision, Dec. 31, 1999, is in many programs represented this way: 12-31-99.

The reason for using such shorthand was the cost back then of storing the extra digits in the memories of mainframe computers and minicomputers; there were no personal computers at the time.

"Now that we have much-cheaper storage of massive amounts of data, it looks silly," says James Pabarue, a Philadelphia attorney who specializes in issues related to the year 2000 problem, "but the cost savings were incredible."

What was a useful expedient 20 years ago will become a critical problem on Jan. 1, 2000. When a program's "clock" turns over from "99," the program may start behaving as if Jan. 1, 1900, has arrived instead. Or, since 100 comes after 99 and there's no way the program can accommodate three digits, it may simply shut down.

"It really depends on how the program is written," says Jim Duggan, a research director for GartnerGroup, a technology consulting firm in Stamford, Conn., "and since programming is an art," there's no way to predict exactly what will happen in many cases.

Not Just A Mainframe Problem

A small-business owner may be tempted to regard such problems as being confined mostly to large companies that have been using mainframes and minicomputers to accumulate large amounts of data for decades. Many small businesses have computerized only within the past few years—at a time when most programs, and the PCs on which they run, have been designed to accommodate four-digit years.

But there's not always safety even in newness. Two years ago, Illinois Machine & Tool Works, a 130-employee machine shop in North Pekin, Ill., that makes metal parts for large manufacturers, spent around $50,000 for software written by a local company. That software had already been used successfully by dozens of other companies in the Peoria area.

Illinois Machine bought the software, says Duane Baker, the company's controller and systems manager, to eliminate most of the manual processing of thousands of orders a month from the firm's biggest customer, Caterpillar Inc. "This program had built-in electronic data interchange to receive data from Caterpillar and electronically integrate it into our manufacturing software," Baker says. "What was growing into a two-person processing job is now down to hours a week."

As effective as the software was in that respect, it suffered from a fatal flaw: the millennium bug. That problem "got over-

looked in the decision process," Baker says.

Illinois Machine isn't alone. Shamrock Plastics, Inc., a 32-employee, Peoria-based manufacturer of plastic parts, had bought the same program in 1995. Like many other small businesses, Shamrock got into full-scale computerization late.

Before 1995, it had only a single terminal, and the software "was so far outdated they couldn't even upgrade it," says Carol Brockway, the firm's accounting manager. "No one ever mentioned it to us," Brockway says of the year 2000 problem. "We had four different consultants—not just the one we bought from—and none of them mentioned the year 2000."

Worse, the software company itself was approaching bankruptcy; it wasn't going to be able to repair the program. Illinois Machine, Shamrock Plastics, and other Peoria-area companies thus faced the prospect of spending an additional $50,000, or likely more, to replace a system that met their needs very well in other respects, and that some of them had just bought.

Even when a company is sure that the personal computers and software in its offices are what computer experts call "Y2K compliant"—Y2K being an abbreviation for the year 2000—the millennium bug may well be lurking elsewhere on the premises.

"A lot of people have industrial PCs on their plant floors but don't realize it," says Fred Nicholas, a senior member of the technical staff at the Industrial Technology Institute, a nonprofit organization in Ann Arbor, Mich., that serves as a consultant to small manufacturers. The PCs are not the kind that come with keyboards and monitors but may be on a rack on the side of a machine that stamps or cuts or presses.

"You don't need a Pentium II chip to do what those things do," Nicholas says, "and so a lot of them run on old technology, and a lot of them will not roll over [dates] properly" when 2000 arrives.

Built-In Clock Stoppers

There's an even more insidious problem. Says Jerry D. Kilpatrick, a technical specialist with the state- and federally funded Illinois Manufacturing Extension Center in Peoria: "We think that more of the problem is going to be with embedded systems and embedded controllers than with the desktop PCs."

These are the microchips—in effect, tiny computers—that are integral parts of machines as varied as elevators, burglar alarms, garage-door openers, time clocks, and bar-code readers.

"If the machine plugs into a wall and it was made after 1975, it probably has a chip in it," Kilpatrick says. Many of those chips are date-driven—in effect, they contain tiny internal clocks. No one can be sure how many of those embedded chips will fail on Jan. 1, 2000, or how they will fail.

Sprinkler systems have embedded chips, Nicholas notes, "and most of those are date-driven. And what is the fail-safe position for a sprinkler system? For most of them, it's 'on'"—and so a date failure may trigger sprinkler systems and leave offices soaked.

"Even the most modern equipment could have programming problems," says GartnerGroup's Duggan. "We've seen cranes, front-end loaders, drag lines all stop working. We've heard of smelters breaking down. That happened in a leap year, 1996. The control systems didn't know how to handle a 366-day year."

Steve Thompson, manager of information technology for manufacturing enterprises at the National Institute of Standards and Technology (NIST), a federal agency in Gaithersburg, Md., calls the embedded chips "our biggest area of concern for our client base."

Even the "fairly diligent" small manufacturers he has spoken with, he says, "still hadn't considered the embedded controllers they have out on the factory floor."

"Unique Vulnerability"

Although a small firm may feel reasonably sure of its own readiness, it shouldn't grow complacent, says Bruce Telles, a Beverly Hills, Calif., attorney who writes on Y2K issues. "The economy is basically interactive," with more and more data flowing electronically among companies, he notes, so if customers and suppliers suffer millennium-bug breakdowns, a company's own preparations may be largely neutralized.

Says Robert J. Butler, a Washington, D.C., attorney who also writes on Y2K issues: "A small specialty retailer, a guy who's fifth in a supply chain, is relying on a number of additional links, all of which are susceptible to failure." Such businesses, he says, "have unique vulnerability."

That vulnerability is enhanced by the way that smaller companies ordinarily use technology. Typically, it's simply as a tool—for accounting, say, or word processing—and there's no one on the premises who is deeply involved with it for its own sake and therefore alert to the nuances of the Y2K problem. "The things that get done are those that are important to the continuity of the business," Duggan says, "and that tends to be revenue-producing activities."

When companies focus on eradicating the millennium bug, the task can be both time-consuming and expensive. In Peoria last year, Kilpatrick pulled together a users group of local companies that had bought the same software that was causing problems for Illinois Machine and Shamrock Plastics.

There were other shortcomings in the software, Kilpatrick says, but "when we prioritized them, the clear priority was [the] year 2000. They felt that was the single biggest problem. Many of them were on 18-month forecast cycles. They had to



PHOTO: ©JOHN ZICH

Many customers *are calling Illinois Machine & Tool Works wanting to know if it is year 2000 compliant, says the firm's executive vice president, Steve Stewart, left, with Duane Baker, controller and systems manager.*

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be ready by July 1998."

The group hired a programmer who will have repaired the software—replacing an obsolete computer language and making other necessary changes—at a dozen companies by early next year, just in time to accommodate the 12-month forecasting cycle that some of them use. The cost for each company runs around $16,000 to $17,000.

"This would have been much more expensive for us had we not been in this little consortium with others who shared the same problem," says Jack Hathaway, sales manager for Shamrock Plastics.

What is worrisome, Kilpatrick says, is that just as many companies could have participated in the same "very inexpensive solution" but chose not to. "They won't accept the fact that they've got a problem."

Solving your year 2000 problem can be a time to solve other problems too. Upgrading software to head off the Y2K bug can improve productivity.

If the experts agree on one hard-and-fast rule to observe in dealing with Y2K compliance, it is that hiding your head in the sand is not the way to go. The cost of curing the problem will probably be much less than the cost of ignoring it. Here are some basic steps that you can follow:

Identify and rank potential dangers.

"Take an inventory of every potential situation that you have," Kilpatrick recommends. "Then do an analysis. Determine what the impact would be" if a particular machine or program fails. "If a particular process failure is going to shut you down or potentially hurt someone, that one's high on the list."

What's really involved, says the Industrial Technology Institute's Nicholas, is risk management. Complete compliance can be very difficult and expensive, "and that's why contingency plans are very important," he says. "People need to look at mission-critical systems."

Think of the arrival of 2000 as a snowstorm you can control, says Duggan: "Depending on your planning, you can make it a 2-inch dusting that melts in the morning, or it might be a 4-foot snowfall that stays around for four months." He suggests asking yourself, "What are the things that absolutely have to work for me to continue in business?"

Talk to your vendors.

For most small businesses concerned about whether their machines and software are Y2K compliant—or can be made compliant—the best advice is to talk to the manufacturers or distributors of the products involved. "Go back to the vendor and determine what testing they have done and what data they have," recommends NIST's Thompson.

"Go to your software developer," Kilpatrick says. "Go to the company you bought the package from. See if they have a solution."

In many cases, your vendors will be able to give you good news. At Shamrock, Hathaway says, "everything in the shop has been checked"—by the manufacturers or installers—"and certified ready for the year 2000."

Still on the positive side, solving your Y2K problem can be the occasion for solving other kinds of problems as well. Upgrading your software not only can head off the millennium bug, Kilpatrick points out, but also can improve productivity. And even though embedded chips are "a completely different animal," he says, in many cases a replacement can be bought almost off the shelf.

As the Peoria users group's experience indicates, though, solving the Y2K problem gets much more difficult when the vendor or distributor can't or won't solve it for you. How do you test an embedded chip when the vendor isn't around to do it? You'll probably need to hire a third-party consultant to do the testing, Nicholas says, and that testing "can be very costly and difficult."

Although, as attorney Pabarue says, "most major metropolitan areas have a number of tested, reliable computer-network companies," finding such help will probably get harder and more expensive as 2000 draws closer.

One easy solution is available when the date function is not important. When the machine involved does not interact with other date-sensitive machines but is simply cutting metal or printing labels, for instance, you can reset the date to, say, 1970, thereby tricking it, in effect, into thinking 2000 is still 30 years away.

You should be in touch not only with the vendors that sell you software but also with the vendors who provide you with the goods or services that you need to conduct your everyday business.

"We receive letters all the time from our customers now" asking if Shamrock Plastics is Y2K compliant, Hathaway says.

Likewise, says Steve Stewart, executive vice president of Illinois Machine, "a lot of our big customers are sending us letters wanting to know if we're going to be ready for the year 2000."

There is, however, as Thompson notes, "no agreed-upon standard as to what compliance means," so even a highly reliable supplier's assurances that it is Y2K compliant must be taken with a grain of salt.

One reason for caution: How a firm

Where To Turn

Many of the best resources on the year 2000 (Y2K) issues are, predictably, on the Internet. Among them:



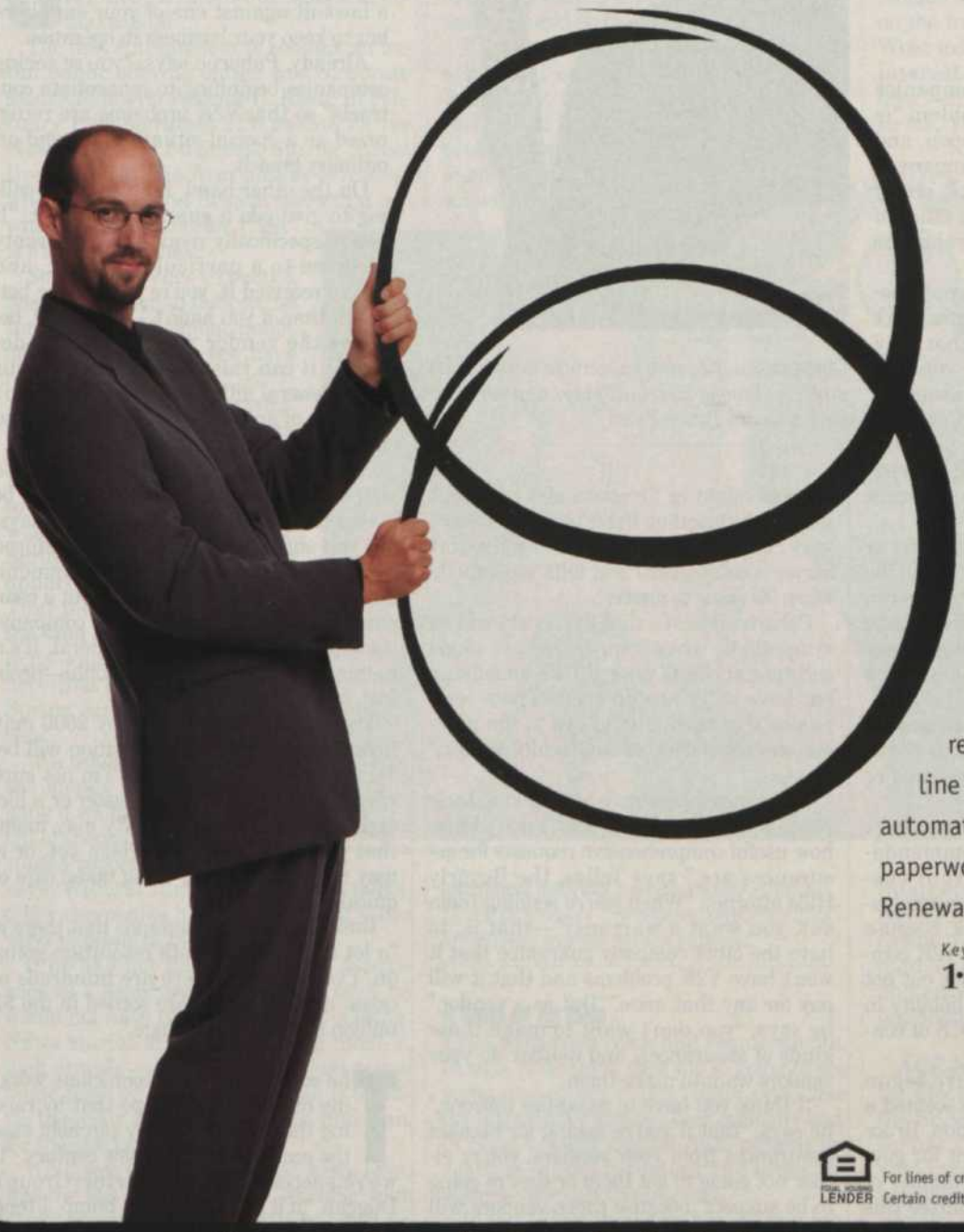
www.y2k.com This site, constructed by Williams, Mullen, Christian & Dobbins, a law firm with offices in Washington, D.C., and Richmond, Va., is devoted to legal and management issues arising from the "millennium bug." One article considers, for example, the extent to which buying insurance can substitute for compliance efforts. (The bottom line: It can't.)

www.sba.gov/y2k The U.S. Small Business Administration has added year 2000 information, tailored to small-business needs, to its World Wide Web page. The site includes detailed checklists for Y2K compliance and links to some of the growing number of corporate and governmental pages devoted to the problem.

www.y2kjournal.com So pervasive is the problem that there is now a bimonthly magazine, *Year/2000 Journal*, devoted to it. This is the magazine's Web page. The magazine's content may be too big-business and technically oriented for many small-business readers, but the Web site is at least worth a look.

For the more old-fashioned among you—those of you who would prefer to read about the Y2K problem in a book—there is a growing number of titles available, some of them highly technical. One of the most accessible new titles—the second book on the subject by the co-authors—is *The Year 2000 Software Crisis: The Continuing Challenge* by Ian S. Hayes and William M. Ulrich (Prentice Hall, $39.95).

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HELP AT EVERY TURN

solves its internal problems may not be compatible with the solutions adopted by other companies with which it exchanges data. "Two firms [that] in theory were totally compliant within their own houses could still cause each other problems by exchanging data between their systems," Thompson says.

You need to be sure, too, that you've taken into account all the vendors that could cause you problems. "What if you outsource your payroll?" Nicholas asks. Are you sure that vendor will be compliant?

Talk to your customers.

What "forward-thinking" companies are doing about the Y2K problem "is telling people what might happen, and letting them know that the company is on their side," says Alan Metrick, senior vice president in the New York office of The Kamber Group, a public-relations firm based in Washington, D.C.

While you want to prepare your customers for possible problems, you don't want to alarm them so much that they turn to your seemingly more reliable competitors (who may not be aware of the dimensions of the problem, or who may even be fibbing about their preparations). You need to make clear that going elsewhere won't let your customer escape from the problem.

"If the letter or the statement stuffer or the special mailing or the print ad or the TV ad is crafted properly," Metrick says, "it can convey a sense both of assurance and of preparedness. You're saying to people, 'If you have a problem, it's OK, we're on top of it.'

"It's a very good time," he continues, "to say to a customer, 'We value you as a customer. We don't want you to be scared or upset or frightened by this.'"

At the heart of such recommendations for dealing with your customers and vendors is communication—and that entails risk, because a company that admits it is not Y2K compliant (or that says it is and turns out not to be) may be exposing itself to liability in suits based on negligence, breach of contract, or other grounds.

Advocates of legal reform have begun warning that trial lawyers have scented a potential bonanza in Y2K litigation. Bruce Josten, executive vice president for government affairs at the U.S. Chamber of Commerce, told a Senate committee this past spring that "abusive trial lawyers must not profit from frivolous lawsuits based on the problem."

The very rigidity of the deadline—there's no moving back the date—has helped to stimulate interest in what the legal consequences might be for companies that don't meet it. As attorney Pabarue says, "It's not very common that a potential mass tort leaves a calling card and tells you exactly when it's going to arrive."

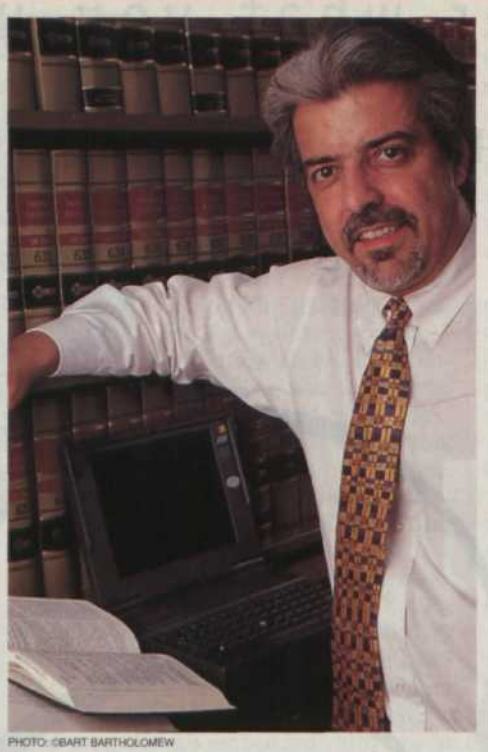


PHOTO: ©BART BARTHOLOMEW

Companies *might prove vulnerable to year 2000 problems among their customers and suppliers, says attorney Bruce Telles.*

Pabarue believes that the courts will be sympathetic when companies have made substantial efforts toward Y2K compliance but have still come up short. Those companies that turn a blind eye to the problem are the ones that are "really at risk," he says.

Many companies have been asking their vendors how ready they are. "I don't know how useful comprehensive requests for assurances are," says Telles, the Beverly Hills attorney. "When you're sending them out, you want a warranty"—that is, to have the other company guarantee that it won't have Y2K problems and that it will pay for any that arise. "But as a vendor," he says, "you don't want to make those kinds of assurances, and neither do your vendors want to make them.

"I think you have to recognize upfront," he says, "that if you're asking for blanket assurances from your vendors, you're either not going to get them or they're going to be suspect" because those vendors will themselves be dependent on other vendors that may or may not be Y2K compliant.

A more productive course, Telles suggests, "is asking more-specific questions about what has or has not been done" as far as retrofitting, testing, and the like.

Look For Solutions

Where critical vendors are involved, Telles says, the best course is to call them and discuss the problem with them. "They're undoubtedly going through the same difficulties," he says, and they will probably be more likely to disclose their status during a telephone call than in response to a letter asking for a warranty.

"Try to work things out with [your vendors] in a way that's nonadversarial and as cooperative as possible," Telles says. Your real objective, after all, is not to win a lawsuit against one of your suppliers but to keep your business in operation.

Already, Pabarue says, "you're seeing companies beginning to renegotiate contracts" so that Y2K problems are recognized as a special situation, beyond an ordinary breach.

On the other hand, if a vendor is willing to give you a guarantee, take it. "If you've specifically requested a warranty directed to a particular hazard, and you've received it, you're going to be better off than if you hadn't," Telles says, because the vendor will have fewer defenses it can raise in response to your suit. General difficulties with Y2K won't be much of an excuse if a vendor has said flatly that it won't be affected by them.

When you're making assurances to your customers, such documents should be reviewed by your attorney, Metrick says, but you shouldn't let yourself be seduced by some lawyers' advice "not to communicate anything potentially bad about a company. This is not bad about the company; it's bad about technology in general. It's a national—in fact an international—problem, and it's not a secret."

The number of suits filed by 2000 may indicate how severe the transition will be, Telles says. So far, he says, "I'm not sure whether it's going to be a disaster or a hiccup. The lack of legal activity may mean that problems have not arisen yet, or it may mean that they're being taken care of quickly."

Butler says he understands that there is "a lot of private dispute resolution going on. I've been told there are hundreds of cases, many of which are settled in the $1 million to $10 million range."

The consultants and technicians working on Y2K issues hope that by raising the alarm now they can help ease the economy into the new century. "If we're successful," says GartnerGroup's Duggan, "it'll be just a speed bump. I tend to think of it as being inconvenient and uncomfortable, but not necessarily dangerous—if we're successful."

As Kilpatrick of the Illinois Manufacturing Extension Center says, "It's going to be a real interesting 18 months." NB

FINANCE

Using The Internet To Find Funds

Funding for small firms is not quite as accessible as a Web site, but there is momentum to make it so.

By Sharon Nelton

Slowly but surely, the World Wide Web is beginning to turn up opportunities for small businesses to obtain capital.

The first entrepreneur to conduct an initial public offering online was corporate securities lawyer Andrew D. Klein. In February 1995 he raised $1.6 million for his New York City business, Spring Street Brewing Co. The firm makes Wit ales, which are based on Belgian beers that use wheat as well as barley. ("Wit" is Flemish for wheat.)

Some observers expected business owners to flock to the Internet and do similar public offerings. But only a few have made the attempt.

Klein is not surprised. Reaching out directly to venture-capital investors on the Internet, he says, is "not going to be as easy for others as it was for Spring Street because Spring Street had the unique opportunity of being first." That meant Klein attracted the kind of attention and publicity—apart from the Internet—that helped to make the Spring Street offering a success.

"We wouldn't have raised all the money for the beer company if we hadn't had the benefit of thousands of newspaper stories reporting about it," he says. Without that advantage, he notes, other companies have to figure out other ways to promote their stock.

If he had not had seven years' experience as a securities lawyer, Klein says, he would not have tried the Internet offering. News stories about his offering made it look simple—as if you could just put a home page on the Internet, use it to advertise your company's shares, and wait for the checks to roll in.

What was lost in the fanfare, Klein says, was the fact that even when you offer your stock on the Web, you still have to go through the processes of writing a prospectus and registering with the U.S. Securities and Exchange Commission (the Washington-based agency that administers securities laws) and state securities authorities.

Klein knew how to do these things himself. Most business owners, however, would have to hire a securities lawyer for $20,000 to $120,000, he says, and they probably would have to find an investment banker to sell the shares—a task outside the scope of lawyers.

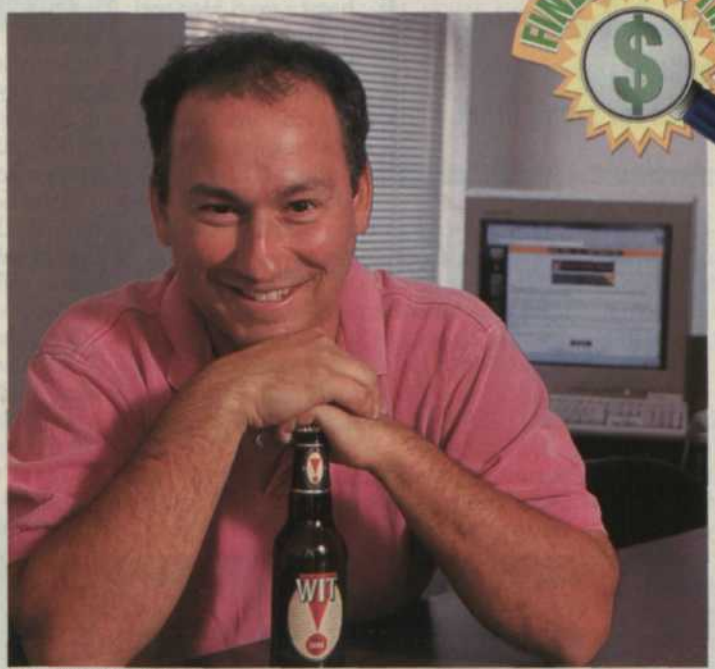


PHOTO: STOM SOBOLIK—BLACK STAR

Investment innovator *and ale maker Andrew D. Klein foresees "increasing opportunities" for raising capital via the Internet.*

This story is part of a continuing series on ways for small companies to locate the financing they need to run their firms.

A Seed Of An Idea

Even with such costs and requirements, though, "I do think that you're going to see increasing opportunities," Klein says, "like the opportunity that my beer company had, to raise venture capital from patient investors—angel investors and other investors—through the Internet."

In fact, Klein thinks he has found a better way to bring investors and business owners together. As a result of his Spring Street experience, Klein hit upon the idea for Wit Capital Corp., an online investment banking and brokerage firm at *www.witcapital.com* on the Internet.

Wit Capital, says Klein, "was not even a twinkle of an idea" when he sought funding on the Internet for Spring Street Brewing. What motivated him, he says, "was all the interest that was pouring in the front door"—from investment banks, brokerage firms, technology companies, and investors—in what the beer company had done. It seemed to him that there was a great opportunity in "the idea that the Internet was about to change the way capital was raised."

Wit Capital democratizes the market for small, individual investors, Klein says, enabling them to get in on the ground floor of some initial public offerings underwritten by some of the nation's largest investment-banking firms—an opportunity generally available only to institutional investors and preferred brokerage customers. It also offers opportunities for individuals to invest in venture-capital deals on a first-come, first-served basis.

Unifying Attempts

Several companies and even the U.S. Small Business Administration have launched Internet-based efforts to bring investors together with entrepreneurs in search of capital. Most of the efforts are confidential matching services that enable investors and entrepreneurs to find and evaluate one another. Among these initiatives:

ACE-Net, which stands for Angel Capital Electronic Network, is sponsored by the SBA's Office of Advocacy. It is a listing service that provides information to private investors on promising small businesses seeking to raise $250,000 to $5 million in equity financing. (If you are seeking less than $250,000, the SBA warns, the costs involved, such as those for legal counsel, may offset a significant amount of the funding received.)

The investors must have a net worth of

at least $1 million or an annual income of more than $200,000. Entrepreneurs pay $450 annually to be listed and must meet certain qualifications. The site can be accessed through the SBA home page at *www.sba.gov.* Click on "Financing" and then "ACE-Net."

PriCap, at *www.pricap.com*, is a membership-based network developed by Private Capital Clearinghouse, a company in Hanover, N.H. Like ACE-Net, it connects private investors seeking investment opportunities in the range of $250,000 to $5 million with companies seeking capital. U.S. companies pay a $150 membership fee plus $500 to have their profiles listed on PriCap for six months.

Although the Internet's usefulness as a fund-raising tool for entrepreneurs has yet to be established, the emergence of online innovators could signal easier access to capital for small firms.

NVST, which is at *www.nvst.com*, is a membership-based investment network for venture capitalists, entrepreneurs, and professionals in the field of mergers and acquisitions. NVST, the product of NVST, LLC, in Bellevue, Wash., costs $198 semiannually, but a free trial period is available.

America's Business Funding Directory, a service based in Irvine, Calif., is free to businesses at *www.businessfinance.com.* You can complete and submit a funding request form online and instantly receive a list of matched potential funding sources.

A summary of each business is listed on the site for 30 days for review by investors and lenders, who must pay a membership fee.

OTInetwork, The On-Line Technology Investment Network, is offered by Martin Wolf Associates, a specialty investment banking firm in Alamo, Calif. Found at *www.otinetwork.com*, it lists the profiles of technology-product and -services companies for review by investors and buyers.

Businesses pay a "listing success fee" of 2.5 percent of closed deals that result from information obtained through this site.

FinanceHub, at *www.financehub.com*, allows businesses to list their profiles for $39 for three months, but the profiles are not confidential—anyone can look at them. Listings include a link to the company's Web site if it has one.

FinanceHub was created by InterSoft Solutions, Inc., a Gainesville, Fla., company that develops software and Web sites.

Each of the sites provides detailed information about its services, the level of confidentiality it provides, the stage of development it seeks in companies, and what it requires of entrepreneurs who want their companies listed.

ACE-Net, for example, requires business owners to provide a completed 50-question Small Corporate Offering Registration (SCOR) form. (For information on SCOR offerings, see "Financing For Do-It-Yourselfers," May.)

As an investment-banking firm, Wit seeks companies that have a good idea and a good management team and have taken "some steps toward proving the concept that they're trying to develop," Klein says. Good candidates are likely to be in an early stage of development but are not start-ups.

"The best way to get through to us is to send us a business plan," says Klein. "It's great to be able to read a little bit of the background before we even talk." (Wit Capital is at 826 Broadway, 6th Floor, New York, N.Y. 10003.)

One section of Wit Capital's Web site permits a small-business owner to print out a detailed questionnaire that can be returned to Wit for consideration. There is also a 128-item "due diligence checklist" consisting of the information that a business owner would need to provide for Wit to determine whether it would take on a company as a client.

Klein says he thinks the matching services where investors can look at opportunities to invest aren't "really going to be competitive with actual investment-banking operations where we invest time and money and hire very skilled investment bankers to go out and find the quality investments."

Serious investors, he says, aren't interested in "companies that . . . no one really knows anything about and no one's taking any responsibility for." They want intermediaries "doing the hard work of picking the better deals out of the stack," he says.

Track Record: Undetermined

The success of the Internet as a fund-raising tool for entrepreneurs has yet to be established. FinanceHub's site includes testimonials from some happy users, with electronic-mail addresses that can be used to check references. But ACE-Net, because of SEC rules, must rely on users to let it know when a match is made.

Nonetheless, the emergence of Wit Capital and other online innovators could mean that small-business owners in search of funds will have easier access to investors themselves or to investment bankers and others who can raise money for them.

For now, it's wise to proceed cautiously. As David R. Evanson, author of a new book, *Where To Go When the Bank Says No* (Bloomberg, $24.95), suggests, use "the power of the Internet to distribute information to investors but do not rely upon it to lead you to capital." NB

Online Borrowing

The Internet is starting to change the way small-business owners obtain money from banks and other financial institutions. Intuit Inc., a financial-software company based in Mountain View, Calif., recently launched its Quicken Business CashFinder service on the World Wide Web in partnership with 10 financial institutions.

The site, at *www.cashfinder.com*, enables a small-business owner to answer a few questions and be matched with the most appropriate lenders. You can choose one of four credit options (lines of credit, loans, credit cards, and leasing) and download free software allowing you to fill out an application form and print it for mailing or faxing to the lenders.

Lenders get back to applicants with their lending decisions in anywhere from two hours to a week, according to Kirby Freeman, Intuit product manager.

While Intuit's service is free, you have to pay any fees required by the lenders, such as an application filing fee or interest rates on a loan. And a bank can still turn you down.

Most of the products offered will be under $250,000, but they can go as high as $2.5 million, Freeman says.

For the business owner, it means making applications—all the way across the country, if desired—without leaving home or office. And, says Freeman, the service offers a less-costly way for financial institutions to find small-business customers.

Among the institutions participating are American Express, Citibank, KeyBank, and Union Bank of California.

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MANAGING

Women's Firms Thrive

By Sharon Nelton

Sheree Mitchell used to be a pediatric nurse. Now her former hospital colleagues sometimes ask, "How's your little day care doing?"

They are referring to her nine-year-old company, Growing Room, Inc., in Columbus, Ga. The firm has more than 100 employees, occupies more than 27,000 square feet in two child-development centers, and expects to bring in more than $2.3 million this year. "My 'little day care,'" Mitchell says with uproarious laughter, "is doing just fine."

In fact, women's business ownership in the United States is, on the whole, doing just fine. Like Mitchell's company, women's entrepreneurship sometimes isn't taken as seriously as it deserves to be. Yet its rise since the 1970s could be regarded as one of the most significant—and one of the quietest—revolutions of our time.





PHOTOS: ©MICHAEL SCHWARZ

A good laugh *is what Sheree Mitchell gets when people ask about her "little" business; her two child-development centers have more than 100 employees and bring in more than $2 million a year.*

By the mid-1980s, there were about 3 million women-owned businesses contributing an estimated $40 billion annually to the U.S. economy. Today, women own 8 million firms, which account for about one-third of all U.S. companies and generate more than $2.38 trillion annually.

Beyond the figures are additional facts, according to the U.S. Small Business Administration (SBA), the U.S. Census Bureau, and the National Foundation for Women Business Owners (NFWBO), a nonprofit research organization in Silver Spring, Md.:

- One in five U.S. employees—a total of 18.5 million Americans—works for a woman-owned firm. Employment by women-owned firms rose more than 100 percent from 1987 to 1992, compared with a 38 percent employment increase at all companies. Employment in women-owned firms with 100 or more workers increased by 158 percent, more than twice the rate for all U.S. companies of similar size.
- Women's companies are more likely to stay in business than the average U.S. company. Nearly three-fourths of women-owned companies in business in 1991 were still in business three years later, compared with two-thirds for all U.S. companies.
- Women entrepreneurs are participating in the global marketplace at the same level as all U.S. business owners. As of 1992, the latest year for which figures are available, 13 percent of women-owned companies were involved in international trade.

Challenges And Improvements

Starting a business is hard for anyone, but women have had to overcome some extra hurdles. Phyllis Apelbaum, president and CEO of Arrow Messenger Service, Inc., in Chicago, recalls that before she finally was able to launch her company 24 years ago,

By almost every measure, female entrepreneurs have made significant progress in the past 25 years.



she was denied a license by the Illinois Commerce Commission 17 times. Despite her previous managerial experience in a courier company, Apelbaum says, the commission did not believe a woman could operate a messenger service.

"I was just infuriated," says Apelbaum, who refused to give up. She prevailed in an appeal. This year her company, which has 225 employees, will bring in more than $8 million.

Earlier this year, Arrow and Growing Room were named state honorees in the Blue Chip Enterprise Initiative, an awards program that recognizes small businesses that have successfully met significant challenges. It is sponsored annually by Massachusetts Mutual Life Insurance Co., known as MassMutual—The Blue Chip Company; the U.S. Chamber of Commerce; and *Nation's Business*.

There are signs of progress for women business owners on nearly every front. Ten years ago, six of the state Small Business Persons of the Year named by the SBA were women; an additional four were partners with men. This year, 13 states named women as their top small-business owner, and in six other states, women were named along with male partners.

The winners this year reflect a trend: While women still tend to own service and retail businesses, they are moving more rapidly into fields that are nontraditional for women. The six female winners 10 years ago owned nursing-care centers, a fabric center, a company that manufactured drumsticks, a retail clothing business, and a custom fabricating shop.

This year's women winners own businesses in fields such as concrete cutting, automotive design and engineering, custom steel fabrication, management consulting, computer technical support, security services, road construction and maintenance, office-furniture refurbishing, and automobile collision repair—as well as the more traditional areas of candy making, day care, and media market research.

According to the NFWBO, the top growth industries for women business owners from 1987 to 1996 were construction, wholesale trade, transportation, communications, agribusiness, and manufacturing.

For six years, *Working Woman* magazine has published an annual list of the top 50 businesses owned by women. This year, in its May issue, it went all out and published the top 500. At the head of the list is Pat Moran, president of JM Family Enterprises of Deerfield Beach, Fla., a $5.4 billion holding company for Southeast Toyota Distributors and other auto-related companies.

As a woman who rose to leadership of a family-owned business, Moran reflects another trend: Twenty years ago women rarely would be considered for leadership positions in family firms; now more women than ever before are heading up family businesses. About 5 percent of family firms are run by women, according to a 1997 survey of 3,033 family companies conducted by MassMutual and the Arthur Andersen Center for Family Business.

One-fourth of the survey respondents said the next CEO at their firm might be a woman.

Competing Demands

One of the biggest challenges still facing women who want to grow a business is the conflict between work and family. Being a woman business owner, says Growing Room's Mitchell, "really is a 24-hour-a-day job. It encompasses your life, and it's hard for women to balance that, especially if they have school-age children." Her only child, a son, is grown, "and I have the time and the energy to put into growing the business," she says.

Still, according to a study of small-business owners conducted by KeyCorp, a Cleveland-based banking and financial-services company, women entrepreneurs are more likely than men to give themselves credit for handling the balance well. Thirty-seven percent of the women entrepreneurs surveyed said they deserved an "A" for achieving a healthy balance between their work and family lives, while 17 percent of the men gave themselves that grade. Forty-two percent of the male owners and 30 percent of the women gave themselves a "B."

"Perhaps because women typically are more likely to face family pressures, these women owners are more able to recognize

and overcome challenges of balancing work and family by necessity," the study said.

Although access to capital is frequently identified as the No. 1 problem for women business owners, women are becoming more sophisticated about what it takes to obtain money. They are more apt to recognize that finding capital is a problem that affects all small-business owners, not just women.

"Once you show the bank that you have a firm grasp on your business and you are willing to do what it takes to make the business work, I don't think funding is a problem," says Mitchell. The first time she sought an SBA-guaranteed loan, it took her a year to get it. When she went back to get financing for a second site, it took two weeks. She attributes her success to a strong business plan and "a bank that believed in me and still does."

According to the SBA, more than 48,000 SBA-guaranteed loans worth nearly $7 billion have been made to women entrepreneurs since 1992. Last year, the agency backed 10,787 loans worth $1.67 billion to women business owners.



PHOTO: JOHN ZICH

Being a woman *doesn't make running a business today any more or less challenging, says messenger-service owner Phyllis Apelbaum; with her are employees, from left, David Caballero, Hans Kornau, and Chris Conry.*

Expanding The Networks

Women entrepreneurs in recent years have gained tremendous networking skills and, with 8 million businesses owned, can draw upon huge numbers of counterparts. Lillian Lincoln, an African American, was a rarity in business 22 years ago when she started Centennial One, Inc., a Landover, Md., company that contracts to perform building services and has grown to annual revenues of $20 million. The biggest change since she launched her business, she says, is the "availability of support groups for black women."

While Arrow Messenger Service has mostly large accounts, such as Amoco and Neiman Marcus, the growth in numbers of women-owned businesses means that Arrow now has "many more women clients" than it did when it started, says Apelbaum. "I think women, when possible, support other women."

There also has been substantial growth in the number of major corporations targeting their services to women business owners and conferring benefits on them. AT&T alone contracted for more than $583 million in business with women entrepreneurs last year, according to Esther Silver-Parker, AT&T's corporate-affairs vice president for the Northeastern states.

If a woman wants to go into business or develop her skills further, she can draw on any of the 60 SBA-supported women's business-development centers—from Anchorage, Alaska, to San Juan, Puerto Rico. Organizations offer support such as technical help and, in some instances, even capital. They include broad-based organizations such as the National Association of Women Business Owners in Silver Spring, Md., Los Angeles-based Women Incorporated, and, in New York City, the National Association of Female Executives. Also among the organizations are specialty groups serving minority women or women in fields such as technology, franchising, and construction.

Not all the obstacles facing women have been removed, of course. In the mid-1980s, women business owners received only slightly more than 0.5 percent of total federal procurement dollars. Today, women's firms receive just under 2 percent of the $200 billion that the government spends annually on procurement, despite a 5 percent goal set by Congress four years ago.

Access to capital, while improving, is still troublesome. And some women fear that the backlash on affirmative action will be harmful to women entrepreneurs.

"I think there are many places where I got my foot in the door through affirmative action," says Arrow's Apelbaum. You have to do a good job and earn the right to someone's business, she emphasizes, but she fears that opportunities for women will be lost if affirmative action is jeopardized.

But even though women business owners still are not always taken as seriously as they want to be, they are more likely than ever to see their problems as very similar to those encountered by all business owners. "Business is business," says Apelbaum. Business by itself is challenging, she says. "And I don't think that it's more or less challenging because you happen to be a woman."

In the early 1970s, women owned less than 5 percent of businesses in the United States. In the mid-1980s, the number of women-owned enterprises had grown so much that, by some forecasts, women would own half the businesses in the country by 2000. While the numbers will fall short of that forecast, the rise in the number of women-owned enterprises is still phenomenal.

In the past 25 years, women business owners have created their own momentum and have invented the infrastructure to keep it going. Clearly, they are on a roll. NB

Free Sessions

Two free satellite conferences aimed at women business owners are being offered by the U.S. Chamber of Commerce in concert with the Edward Jones financial-services firm, IBM Corp., and several organizations. "Wired To Win: Leading Edge Technology for Women Entrepreneurs" is scheduled for Sept. 2; "Funded to Win: Creative Ways to Finance Your Business" is the topic of a session on Nov. 16.

The sessions run from 7:30 to 8:30 p.m. Eastern time and can be seen at more than 4,000 locations across the country. For the one nearest you, call 1-800-441-1384. Or visit one of two World Wide Web sites: *www.edwardjones.com* or *www.ibm.com/solutions/smbus/womeninbusiness.*

MANAGING

Giving Your Firm A Make-Over

Image may not be everything, but many business owners are finding that a new one can do a lot for sales and profits.

By Howard Scott

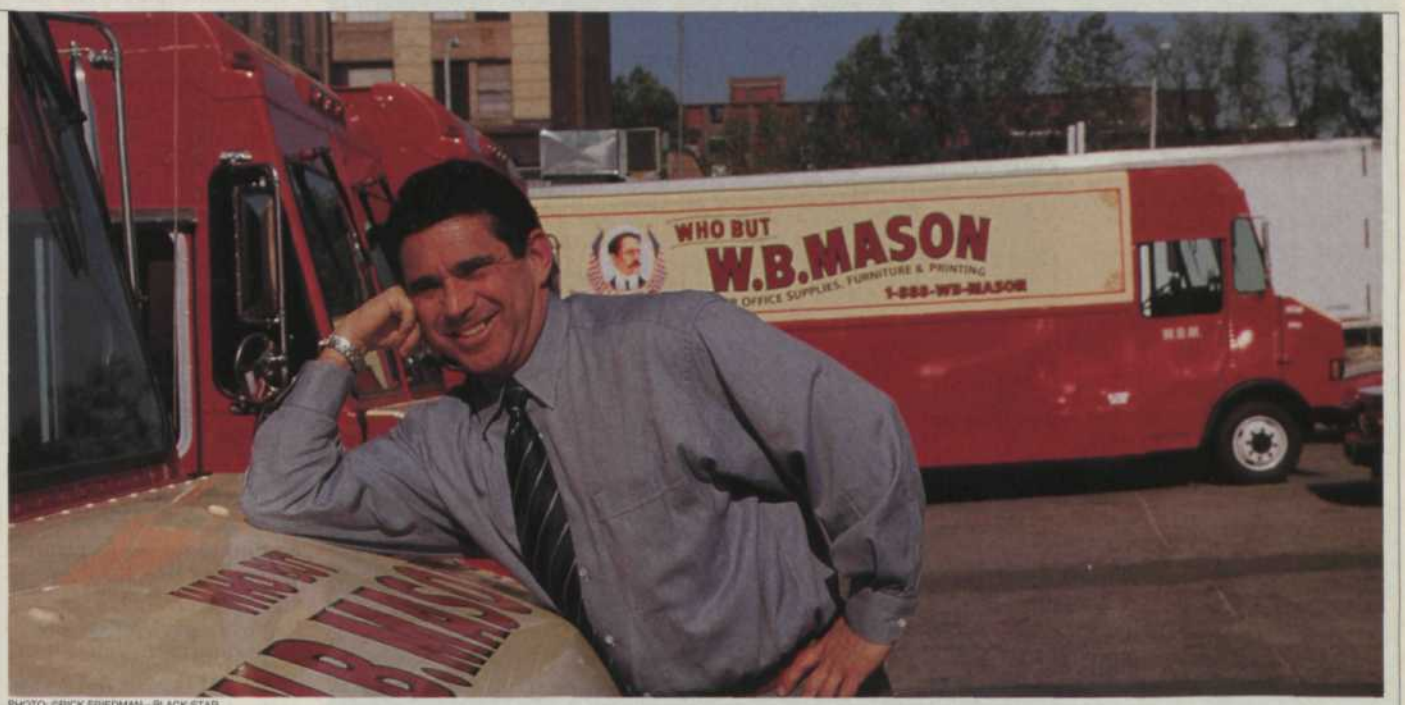


PHOTO: ©RICK FRIEDMAN—BLACK STAR

Brightly painted *delivery trucks—featuring a mustached 1900s figure designed to convey a sense of old-time service and dependability—helped redefine the image of Steve Greene's office-supply company in Brockton, Mass.*

Ten years ago, office-supply company W.B. Mason of Brockton, Mass., was getting pummeled by superstore competitors. Steve Greene, the third-generation president of the then-89-year-old family firm, knew the company had to fight back, but he wasn't sure how.

Out of the blue, the answer came from one of his customer firms, an advertising agency in nearby Hingham, Mass. Why not try an image make-over, proposed T.J. Clark Advertising.

The centerpiece of the new look would be a fictional, handlebar-mustached, early 1900s character named after W.B. Mason, the firm's founder. The character's message of old-time service, dependability, and modest prices would be conveyed through a newspaper and billboard campaign and by putting his image on the sides of the firm's delivery trucks, all at a cost of $250,000.

For a company that had never spent more than $30,000 in a year on advertising, including catalogs, this was heady stuff. Greene didn't know whether to throw the proposal out or sign up. But after consulting with his four co-principals, he decided to commit to the project.

The results have been breathtaking, Greene says. The new slogan, "Who but W.B. Mason," has become as well-known in eastern Massachusetts as Wendy's "Where's the beef?" campaign became nationwide in 1984.

And, in a business where all of the firm's competitors in the area have either merged or closed, W.B. Mason's make-over has helped propel it from a $15 million company with 40 employees and nine trucks 10 years ago to today's $120 million company with 420 employees and 85 trucks.

But not all image make-overs succeed. Sometimes they amount to nothing more than money spent unnecessarily.

Jeff Corcoran, president of Applied Success Retail Consultants, a make-over firm in Ballston Lake, N.Y., says: "I have had clients who have insisted on brass fixtures and marble bathrooms in an off-price store and [who] have failed miserably. You must know who your customer is and what he or she expects from you."

A make-over typically begins with dissatisfaction among a firm's top managers. For instance, an executive in the company—often the owner—might believe that the firm doesn't stand out enough in the marketplace. He or she becomes convinced that the solution is an image change.

Crafting a successful make-over typically requires the assistance of a consultant who guides the development of a new concept and helps devise a plan for implementing it.

With or without such professional guidance, however, the company owners or managers must develop a vision of how they want the firm to stand out and what the make-over will do for the firm in the marketplace.

Then they must establish a budget and create a plan. A make-over typically takes three to six months to implement, and a make-over's effectiveness ultimately is judged by how much it improves sales and profits.

The three basic steps to a make-over, say image specialists, are creating a vision, exe-

cuting changes, and achieving results.

Creating The Vision

How do you want your company to be viewed in the marketplace? Start by listing what it is that makes the firm special. Every company does something well or has some quality that sets it apart from the competition. Use these traits to create an image.

A consultant can be particularly helpful with this task because it can be difficult for a hands-on owner to look at the company objectively. Creating an image requires brainstorming, which involves several meetings with your management team.

Elaine Hoekstra, president of Retail Store Concepts, a make-over consultancy in Grand Rapids, Mich., says: "If you don't hire a make-over consultant, you risk losing out on the benefit of an experienced pro. Such issues as who is the customer, why does the customer come to my client over competitors, what are profitable [product] lines, and what are specialty areas all help me focus on a vision."

When Isabel Prescott took over her parents' business, Riverview Orchards in Clifton, N.Y., four years ago, the company's retail outlet was a 2,000-square-foot roadside shed where apples were processed and sold.

Says Prescott: "We developed a vision of a quaint place with an aura. This would be a destination spot for families to come and pick apples and to have a good time doing old-fashioned things." Transforming the old shed into an attractive retail outlet with activities for families "would cost quite a bit," she knew, "but spending was necessary if we were going to make a go of the business."

Steve Morr, owner of Pool Designs, a pool builder and spa retailer in Peters Township, Pa., decided two years ago that his showroom just didn't stand out. He decided that a make-over would cause passers-by on busy state Route 19 turn their heads.

Morr hired a graphic artist to create a new logo and design for the store. The design called for a new front sign featuring a waterfall, more landscaping, and a two-level deck to connect the two floors of the showroom.

Finally, Morr hired an ad agency to create a snazzy brochure.

During the vision stage, it's important to have a clear idea of how much you want to spend. For example, Morr decided to commit $50,000 to his make-over, while Jay Gates, vice president of Welco Gases in Newark, N.J., a welding-equipment supplier with 70 employees, committed just $20,000 to a make-over.

Gates wanted to create a showroom to attract retail customers to the family business. "We didn't know how much a retail outlet would bring to a company that sells industrial gases to commercial firms," he explains, so he decided to make only a modest investment.

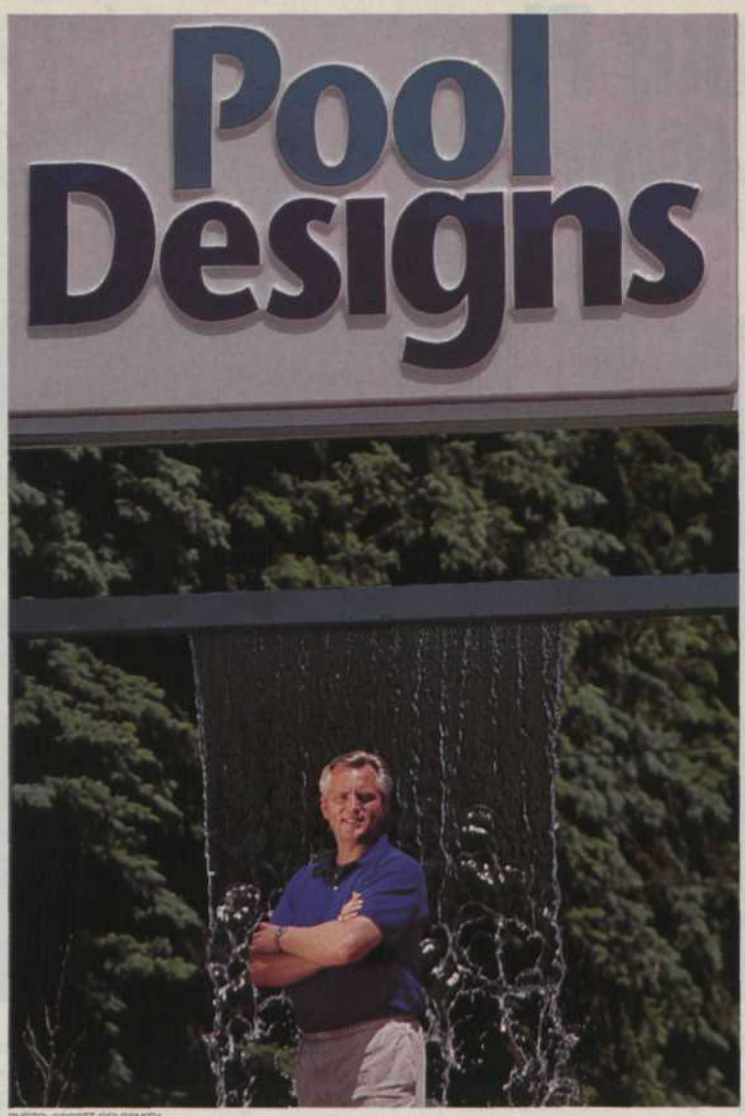


PHOTO: ©SCOTT GOLDSMITH

A new front sign *featuring a waterfall draws attention to Steve Morr's pool-building and spa company in Peters Township, Pa.*

Make-over consultant Corcoran is quick to point out that spending a pile of money on a make-over doesn't guarantee success. "It's your focus" and how accurately you turn that focus into reality that determine a make-over's success, says Corcoran.

Executing Changes

Taking a vision and putting it into practice demands imagination, planning, managing, and patience. One of the greatest difficulties in attempting a make-over is that you generally are trying to run your business as usual at the same time. During this hectic period, it's important to set up a calendar of events, although it can be flexible. It's also critical to start with a budget and stick with it.

Make-over expenses "can snowball," says Pool Designs' Morr. "After we spent $8,000 to do our brochure, we wanted to change our in-store promo sheets, but we had to stop ourselves to stay within the budget."

W.B. Mason's Greene recalls the decision to spend $4,000 per delivery truck to make the firm's nine vehicles into rolling advertisements with the W.B. Mason character on the sides. "Someone suggested we hold up," says Greene. "But we decided to go ahead. Each truck has frilled borders, curvy lettering, our W.B. character amid a pale-yellow background, and a gray or red cab. It looks like a circus truck.

"Doing the trucks was probably the most important part of the [make-over] project. It linked together everything else we were doing. It put us on the map."

Prescott, of Riverview Orchards, hired an architect to develop a plan for transforming her business's roadside shed into something that would be a family destination. The space was divided into a section for apples and a section for specialty foods.

A make-over consultant recommended ways to attract families. For example, Prescott purchased a glass-enclosed beehive that customers can view, a robot that makes doughnuts and places them on a conveyor belt, animals for a petting zoo, and a wagon for hayrides. She

added old-fashioned wooden shelves to sell jams and jellies, homemade cookies, and locally made craft items.

Prescott says that business owners shouldn't expect to complete a make-over overnight. "It took us eight months from start to finish," she says.

Gates, of Welco Gases, hired a consultant to help design the company's new retail showroom, which has been a success since it opened in March 1997.

A consultant "will feed you fresh ideas," says Gates. The showroom includes brightly painted walls, extensive lighting, life-size mannequins in leather welder's gear, and a display of torches. There are also marketing fliers, store giveaways, and weekly vendor demonstrations.

Achieving Results

W.B. Mason's Greene points out that if a make-over is to work, the new image has to ring true. To make good on its promise of providing old-fashioned service with modest prices, W.B. Mason lowered its prices to compete with superstores, dropped its minimum-order requirement, and offered a guarantee that orders not delivered the next day would be free.

Riverview Orchards' make-over, completed in the spring of 1997, has vastly improved the company's retail business. This past fall, the orchard held several "farm-fest weekends," each of which was attended by more than 3,000 people. Families made a day of the events, which included hayrides, apple picking and processing, doughnut making, and the petting zoo. On weekdays, the orchard was open for tours by schoolchildren.

Says Prescott: "We've set up an agri-tourism business. Retail volume has more than doubled."

Gates says of his new welding retail store: "On one of the opening days, a contractor came in looking for a $60 regulator. He walked out after spending $960. We knew we were on to something."

Welco's sales of torches, accessories, and supplies have increased 40 percent, Gates says.

Morr, of Pool Designs, says his firm's make-over, which was completed in December, has helped reshape the company, pushing it into more high-end custom-pool work. "Our high-end jobs are now in the $30,000-to-$35,000 range, where a few years ago they were in the $20,000-to-$25,000 range," Morr says. "The market perception of our level of professionalism has been notched up.

"My only regret," Morr continues, "is that I didn't do the make-over five years earlier." NB

Howard Scott is a free-lance writer in Pembroke, Mass.

Make-Over Suggestions

If you are thinking of a make-over for your firm, consider these tips offered by experts in the field:

■ Although a make-over consultant generally can help you craft a successful image change, avoid being sold a bill of goods by the consultant.

Make sure your plan is grounded in reality.

■ Avoid stock approaches. It might be better to come up with your own vision for a make-over than to rely on an architect, designer, or consultant to originate the concept. Be creative.

Make-over consultant Jeff Corcoran says, "The most creative results are when the owners [develop] their own vision."

■ Establish the make-over consultant's fee at the outset. Consultant Elaine Hoekstra says she usually charges $1,200 to $1,600 for comprehensive services, including brainstorming on a concept, layout and design, and recommendations on buying store fixtures.

Corcoran charges $75 an hour for services such as discussing and implementing a concept, but sometimes he will work for a fixed fee.

■ Don't ignore input from employees; they will be among those most affected by the make-over, so let them contribute ideas.

Steve Morr of Pool Designs in Peters Township, Pa., says his employees "have been pivotal in creating our new look. My general manager, Trish Van Borem, handled the brochure almost single-handedly."

■ Search until you find the right consultant. Consider seeking help from an advertising agency, graphic designer, or business consultant.

If you know of a firm that changed its image successfully, ask the owner to refer you to consultants who were used.

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SMALL BUSINESS TECHNOLOGY

Computer Systems According To Plan

Being organized and insightful when it comes to buying and using technology can help small firms succeed and grow.

By Tim McCollum

Caster Technology Corp. doesn't appear to be a high-tech company, but it uses technology like a leading-edge firm.

On the surface, the 12-year-old Garden Grove, Calif., company looks like a traditional small manufacturer, with workers using machinery to churn out casters, wheels, and hand trucks for industrial use. But behind the scenes, advanced information technology is a driving force.

Caster's nerve center is a state-of-the-art telecommunications network that links the factory to distribution warehouses in Kemp, Wash.; Tempe, Ariz.; and Union City, Calif.

The network greatly increases the company's efficiency and provides a technological backbone for business expansion.

It also lowers Caster's communications costs. Because the network carries voice as well as data, the company's 28 employees can communicate effectively while saving about $400 a month in telephone bills because they no longer need to use a long-distance carrier.

Before investing in the network in 1995, the company carefully crafted a master plan that tied the acquisition of technology to business-expansion goals. David P. Elles, Caster's co-founder and vice president, sensed that just as top managers needed a business plan to guide them in operating decisions, they required a technology plan to guide them in buying and using technology.

Most small companies aren't as organized when it comes to buying technology. But they could be—and it could have a highly beneficial impact on their ability to expand and succeed.

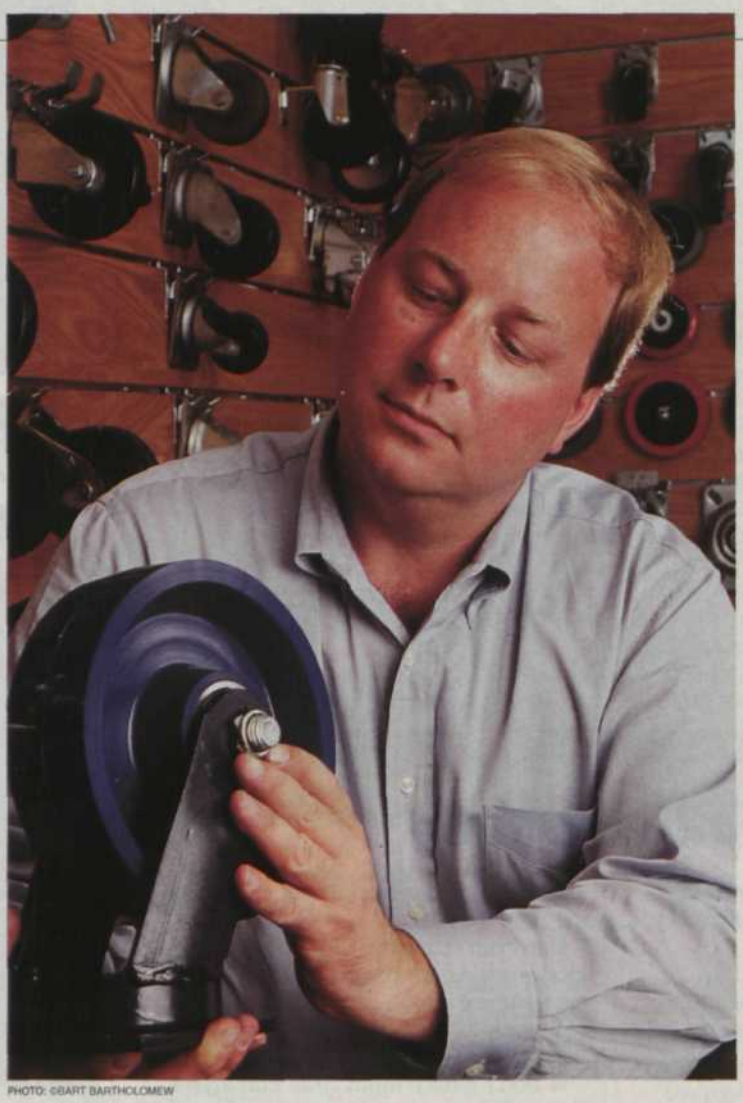


PHOTO: ©BART BARTHOLOMEW

Like a business plan, *a technology plan is an important management tool, says David P. Elles, vice president of Caster Technology, a Garden Grove, Calif., manufacturer of wheels and hand trucks for industrial use.*

Fear And Unfamiliarity

For many small-business owners, using technology is like trying to get to the other side of an abyss. Success and profits may lie there, but the way across is risky. "And the more you have to pay, the more you fear," says Raymond Boggs, director of small-business research for IDC/Link, a technology-research company in Framingham, Mass.

"In your head, you look at it as an investment, but in your heart, it still costs you. And it's always painful for a small business to pull out the checkbook."

As a result of fear and a lack of foresight and knowledge, small companies typically don't use technology effectively. That's the finding of a new survey of small businesses in a wide variety of industries by Yankelovich Partners, a market-research and consulting firm based in Norwalk, Conn. The survey of 1,010 firms with fewer than 100 employees was sponsored by IBM Corp. of White Plains, N.Y., and the U.S. Chamber of Commerce.

Among other things, the survey found that a majority of entrepreneurs:

- Consider technology spending a cost rather than an investment.
- Make short-term, needs-based purchasing decisions about hardware, software, and services.
- Lack the expertise to make informed decisions about technology acquisition.

The new research reinforces IBM's anecdotal findings that most small firms "tend to buy technology in piece-parts instead of holistically," says John W. Thompson, general manager of IBM North America.

The resulting problems can mount quickly.

Firms that go for a cheap, quick technology fix often find that it doesn't meet their needs. And those that buy expensive and complex but ill-conceived systems frequently discover that their investment yields few benefits.

"In the worst case, making the wrong decisions can bring a company to its knees," says Steven Gray, co-president of Eisner Computer Solutions LLC, a New York City software consulting and systems-integration firm. (See "Sidestepping The Pitfalls," on Page 50.)

Ironically, small firms—not giant corpo-

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rations—have the most to gain from prudent technology planning.

Investments in information technology are directly related to increased productivity in the form of cost savings and increased profits, according to Erik Brynjolfsson, an associate professor at the Massachusetts Institute of Technology's Sloan School of Business in Cambridge, Mass. "The companies that are most successful are the ones that redesign their strategies and structures to really leverage technology," he says. "And that's easier to do if you're smaller."

Such gains from information technology were crucial to the growth and profitability of 96 percent of the fastest-growing U.S. companies, according to a 1996 study by New York City-based consulting firm Coopers & Lybrand LLP.

A follow-up study released this year found that 86 percent of those companies had upgraded their information technology in the past two years.

"Technology can be a competitive edge if you [employ] it correctly," says Pete Collins, Coopers & Lybrand's director of entrepreneurial advisory services. "It's a way to differentiate yourself from your competitors. You can do things more effectively, more efficiently, with more focus on your customers."

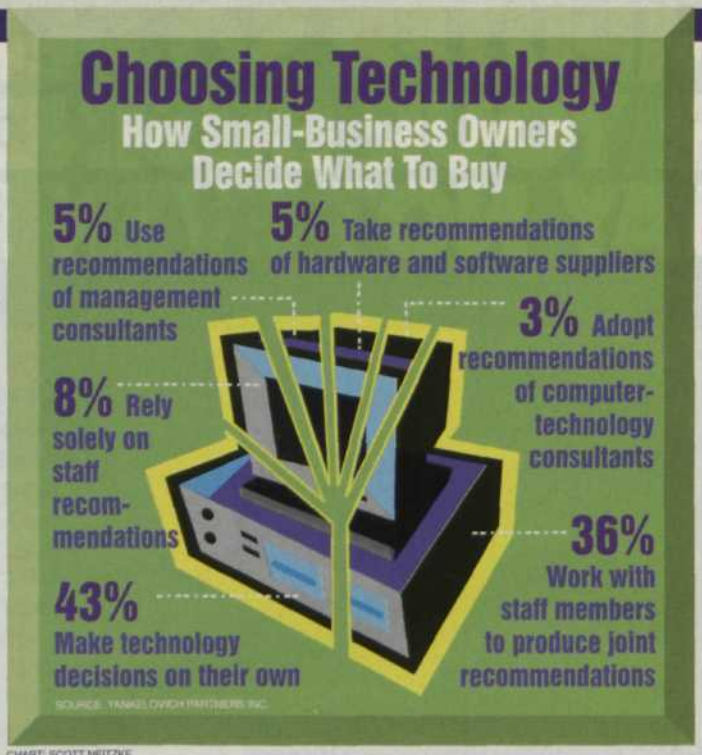


CHART: SCOTT NEITZKE

The Starting Point

Formulating an effective technology plan starts with determining needs. (See "Drafting A Blueprint," below.) This requires identifying the problems the company needs to solve and understanding how technology can help address them.

Collins says that small firms should first build a technology infrastructure that will provide a foundation for addressing specific business needs. He says the fast-growth companies in the Coopers & Lybrand study have concentrated on building computer networks that support electronic mail, employee collaboration, and information sharing.

Having a plan has helped Caster Technology build and leverage its telecommunications infrastructure. Elles attributes much of the firm's success with its network to frequent brainstorming on ways the firm can use the technology. With him in the sessions are his brother Karl, Caster's co-founder and president, and Steve Sheeley, the company's information-systems manager.

The team's initial sessions three years

Drafting A Blueprint

Like a business plan, a technology plan might look logical and useful to an entrepreneur, but developing it is a task that is easily postponed.

Formulating a technology plan is a good first step for entrepreneurs who want to use technology to boost productivity and growth. It is a blueprint that can help a company get the maximum benefits from technology and avoid major technology-related problems later.

Where To Begin

The first step in creating a technology plan is to determine your company's needs. Too often, companies buy technologies before they have a use for them. Or they buy specific solutions without considering how they will fit into their current business practices.

Begin with some questions: What problems do I want to solve? What do I want to achieve? What capabilities do I need? How can technology help me?

Based on your answers, decide which capabilities are most critical to your company, and list them in the order of their importance, says Steven Gray, co-president of Eisner Computer Solutions LLC, a New York City software reseller and consulting company. Take into account not only your current needs but also any capabilities you believe you will need in the future.

The next step is to find out which technologies can solve your problems. Start by determining whether your current hardware and software can meet your needs or if you will require additional technology. If new technology is needed, will you integrate it into your existing hardware and software or will you start from scratch?

Determining What You'll Need

Next, develop a procedure for evaluating technology that might meet your needs. This is where lack of expertise can get you into trouble. You may have to trust qualified consultants and vendors to help you.

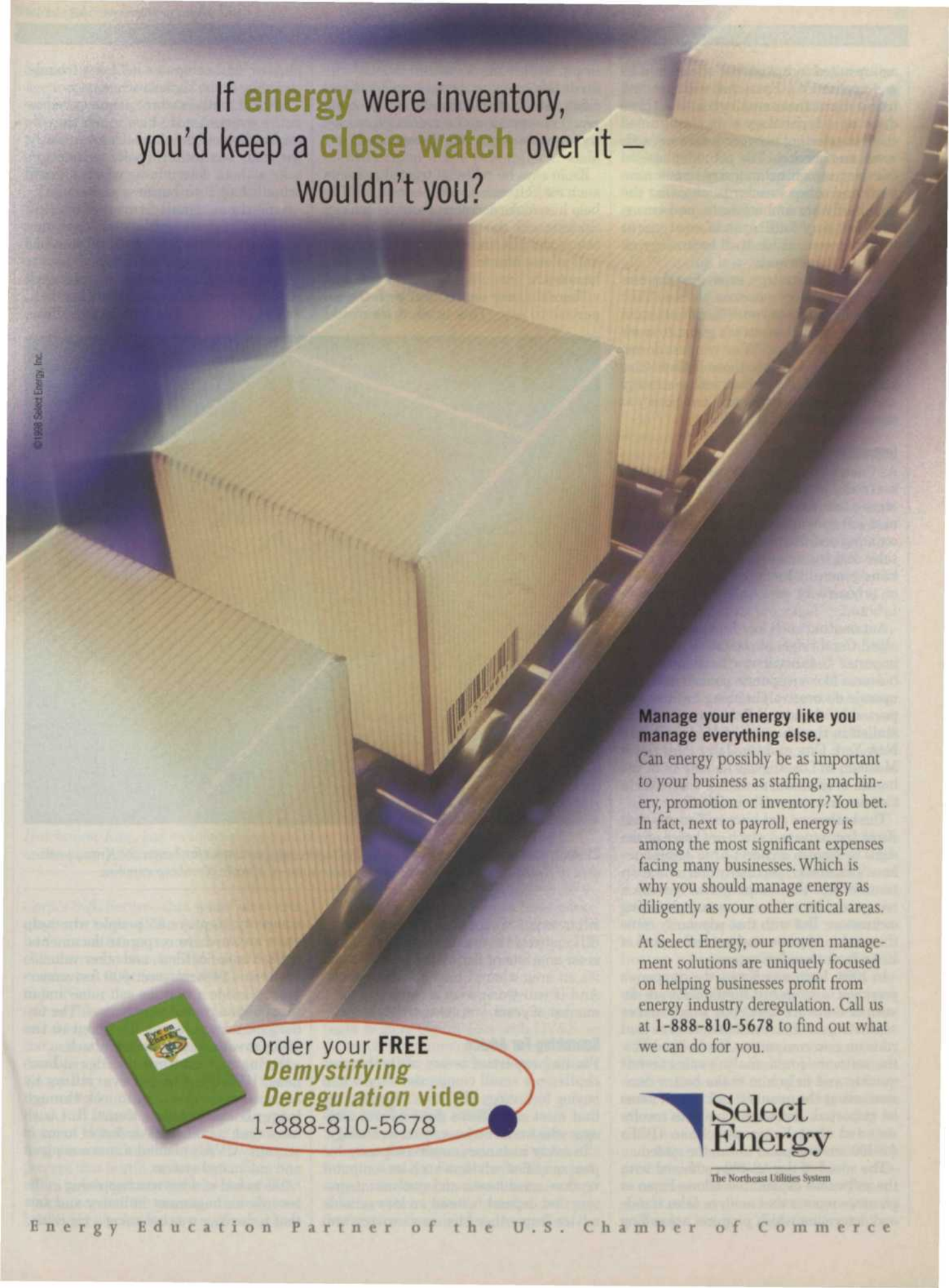
Raymond Boggs, small-business-research director for IDC/Link, a technology-research firm in Framingham, Mass., likens finding a technology adviser to choosing a doctor. The challenge is to find the right one. He suggests that you ask for customer references. Also, the consultant should take time to learn about your company and demonstrate an understanding of how you do business.

Companies should use similar logic when evaluating software and hardware solutions. Gray suggests listening to product presentations from vendors and resellers and comparing the capabilities with the list of company needs that you hope to address with technology. Moreover, ask for referrals to similar companies that have had success with the products. Choose only vendors that have an excellent reputation for service after the sale.

Gray recommends that companies choose software and hardware that are based on recognized standards and can be integrated into your business's existing hardware, software, and network.

Because technologies are constantly changing, Gray says, companies need to consider whether the products they're evaluating will accommodate new capabilities in the future.

Ultimately, using technology effectively can help a company be more successful. Good planning makes that possible.


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ago resulted in a wish list of capabilities and applications. From that wish list, and using input from employees, the three drew up a technology plan that guided them in selecting network hardware, software, and services. The plan emphasized following recognized industry communications and other standards, choosing the best hardware and software, and ensuring that any additions of equipment would be compatible with technology already on the network.

Even with a strategy, expanding the network has been a continuous process. "Just because you buy network [hardware] and software doesn't mean it's going to work together," says Elles. "If we can just do one thing more every day, those little battles add up. And if you do that with a strategy and have a plan, when you look back you can see how it has helped."

Improving Productivity

As Caster Technology happily discovered, a strong network gives a company a strong foundation. Next come core business-software applications to automate accounting and financial processes as well as sales and customer service. Such applications generally have the greatest impact on productivity, says Collins of Coopers & Lybrand.

Automating such key functions has enabled Cambridge, Mass.-based plumbing importer and distributor Kroin Inc. to do business like a corporate powerhouse. The upscale decorative plumbing fixtures imported by the small firm have been installed in the Museum of Modern Art in New York City and the John Paul Getty Museum in Los Angeles as well as in the homes of celebrities such as actor Kevin Costner and singer Gloria Estefan.

The bathroom and kitchen fixtures that Kroin Inc. imports—which are based on designs by Danish architect Arne Jacobsen—have gained such popularity and critical attention that the company has become a recognized brand name among plumbing contractors. But with that popularity came the need to improve analysis and control of Kroin Inc.'s inventory process.

In 1994, Lawrence Kroin, the company's president, approached Boston software developer Software Concepts, which makes sophisticated distribution software that runs on minicomputers. Kroin liked how the software could analyze sales trends quickly and help him make better decisions about the quantity and type of items he imported. Software Concepts recommended that Kroin purchase IBM's AS/400 minicomputer to run the system.

The speed of the AS/400 combined with the software's capabilities allows Kroin to generate reports that analyze sales trends and determine which products are selling in particular markets and whether he needs to increase or decrease orders of specific products. Kroin says he can generate reports in a matter of seconds and quickly try out various marketing scenarios at any time.

Kroin says he relies on trusted partners such as Software Concepts and IBM to help him make decisions about technology. Sticking with this proven combination has taken the guesswork out of technology and allows him to focus on his business, he notes.

There's no one on his staff with the expertise to say, "This is what we need," Kroin says. "We just ask ourselves 'What if?'" and rely on the vendors. "Technology is an area where I'm weak," he says, "and it's an area where I have to trust people. And if you work with a company for a number of years, you get to trust them."

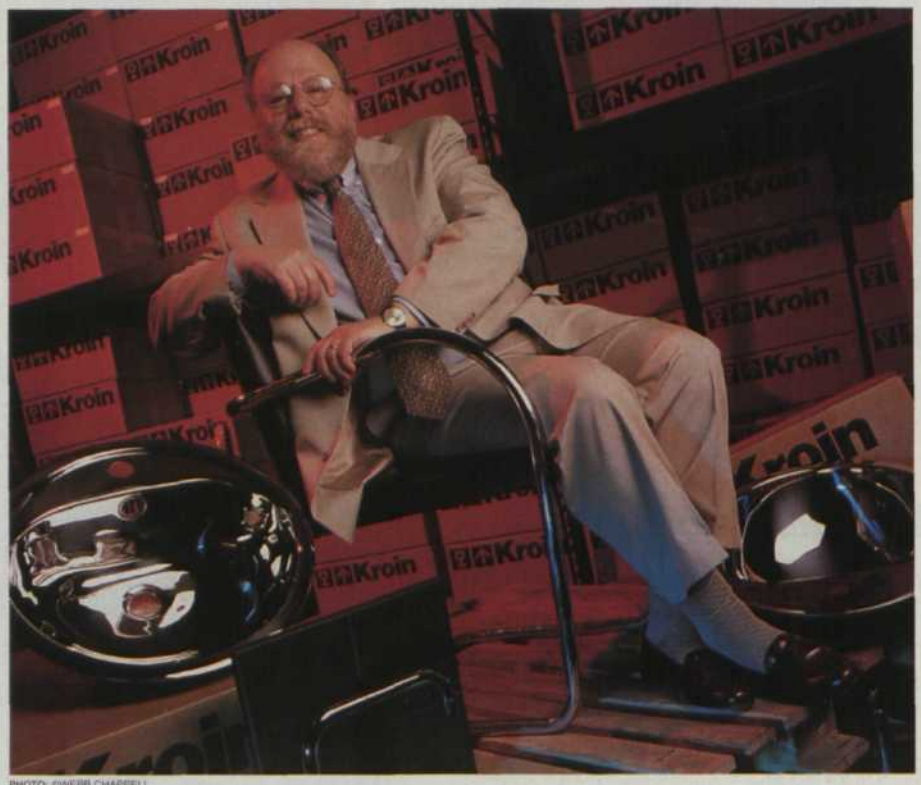


PHOTO: ©WEBB CHAPPELL

Strategic partners *keep the guesswork out of technology purchases for Lawrence Kroin, president of Kroin Inc., a Cambridge, Mass., distributor of upscale plumbing supplies.*

Searching For Advice

Finding expertise is one of the biggest challenges small companies face when buying technology. IDC/Link's Boggs notes that most small firms don't have a manager who works exclusively on technology.

In many instances, small companies bypass qualified advisers such as computer vendors, consultants, and systems integrators and depend instead on less reliable advice from other business owners, employees, and computer-hobbyist friends, according to the Yankelovich survey.

Making matters worse, some entrepreneurs overestimate how much they do know about technology. Consequently, they may buy technology for technology's sake without determining whether it will actually help their business.

Sometimes, small firms don't call in qualified advisers until technology is not working for them and they need someone to pick up the pieces.

That's a fate that Lee Spence, president of Underground Vault & Storage Inc., wanted to avoid. The Hutchinson, Kan., company employs 85 people who help store and archive corporate documents, master copies of films, and other valuable items in a 28-acre vault 600 feet underground inside a working salt mine and in three above-ground warehouses. The underground vault was designed in the 1950s to withstand a nuclear attack.

During its first three decades in business, UV&S cataloged everything by hand, and workers had to look through ledger books to locate items. But with more than 2 million cubic feet of items in storage, UV&S needed a more modern and automated system.

"We looked at what was happening in the records-management industry and saw that technology was becoming a big thing,"

Spence says. "You have to be able to manage a customer's records. And to do that, we had to stay up with the technology."

So, in 1994, Spence began to solicit proposals to establish a technology-based operation that would catalog and track the items in storage.

The company that won the contract, Chicago-based accounting and management consulting firm Grant Thornton LLP, sent a team to spend several days touring UV&S's facilities to get a feel for the business.

Grant Thornton proposed a two-pronged solution: a database—based on Microsoft Corp.'s SQL Server—that would allow employees to locate all the items the company had in storage; and a wide-area client/server network, which would allow employees to access the database from their PCs.

Over the course of a year, Grant Thornton designed the database and outlined the network. A Hutchinson-area computer consulting firm, Network Management Group Inc., was hired by UV&S to install the network; it used Proliant servers and DeskPro PCs from Compaq Computer Corp. of Houston. Then UV&S began the long process of cataloging its inventory, a process that is still under way.

The resulting network has streamlined and automated the process of storing and retrieving items. Items are given a bar-code label when they arrive, and their contents and storage location are entered into the database. When they are needed, their location is called up on a computer, and warehouse workers retrieve them and identify them using portable bar-code readers.

The database is tied into UV&S's accounting system so that each time a customer stores or retrieves an item, the accounting system automatically generates an invoice. And the wide-area network allows employees and computers at the company's various locations to communicate and exchange data.



PHOTO: ©STEVE RASMUSSEN—MERCURY PICTURES

In a salt mine *600 feet below ground, Lee Spence, president of Underground Vault & Storage of Hutchinson, Kan., had an information-technology system—tailored by outside consultants—installed to streamline document tracking and retrieval.*

"The biggest savings have been time," Spence says. "Now we can just go into the catalog system and locate things pretty rapidly. We haven't had to add any labor to our work force."

Spence expects technology to become even more important when customers begin to store digital data with UV&S, so he wants the company to be prepared. He knows that the network and database are only the first steps.

Tools For Managing Growth

MIT's Brynjolfsson says it can take up to two years for companies to see real benefits from technology. Small firms may experience gains faster, however, because their structures are typically simpler and more flexible than those of larger companies.

Nonetheless, adding technology requires patience. Seattle-based Da Vinci Gourmet, Ltd., learned that lesson as it modernized its accounting system to improve its management of the company's rapid growth.

Since 1989, Da Vinci has enjoyed great success developing syrups for gourmet coffee, taking advantage of specialty coffee's growing popularity nationwide. For most of that time, though, Da Vinci's finances were managed by its bookkeeper on a single PC using low-cost, off-the-shelf accounting software.

When Rich Delmastro joined Da Vinci as controller in 1995, he quickly realized that the accounting system couldn't provide the information he needed to track Da Vinci's sales and manage a network of more than 130 companies that distribute its products in the United States and abroad.

Da Vinci also needed a network-based system that would allow several employees—rather than just one—to enter and retrieve financial data.

Delmastro determined that Da Vinci needed a more centralized system to manage accounts, sales, inventory, and distributors. Working with MicroAccounting Systems, a consulting firm in Portland, Ore., he created a list of specifications for the new accounting system and used it to evaluate accounting programs.

After several weeks of software demonstrations, Delmastro settled on an integrated financial system called Navision Financials from Navision Software US Inc. in Norcross, Ga. He chose the system because it provides core capabilities such as a general ledger, accounts payable and receivable, and inventory, and it enables Da Vinci to add capabilities. The plan was to phase the system in gradually.

But as Da Vinci was preparing to test the system, the company bookkeeper's PC crashed. Da Vinci was forced to switch immediately to the Navision system. Delmastro says Da Vinci was quickly "off and running" with the system and hasn't looked back since.

"We have the information we need to manage the business at the push of a button now," says Delmastro. "It has opened the system up to allow more people to do their jobs instead of just one person being the keeper of the information in the system."

The accounting system is accessed by Delmastro and 17 other employees using a combination of PCs and dedicated network terminals. The accounting database allows Da Vinci employees to quickly locate invoices, generate reports on sales, and determine the company's best-selling products. The system also ties into a custom-programmed contact-management database that allows the company to direct sales leads to distributors and re-

minds employees to follow up with them.

But it is the system's potential capabilities that most excite Delmastro. Although capabilities such as financial forecasting and online commerce weren't important to the firm at the time it purchased the system, Delmastro wanted to make sure that the financial system would be able to support those functions when the firm was ready.

Such a long-term view is rare for small companies. Even though the financial system has been a success, Delmastro acknowledges that it hasn't always been easy to convince Da Vinci owners Bill Cotter and Greg Davenport of the merits of continuing to invest in it.

"It's been an educating process for the owners to see this as an investment," says Delmastro, now the firm's chief financial officer. "But they realize that we need this tool as a condition of doing business. And they see that if we want to continue to grow and get into new markets, the information is going to drive that."



PHOTO: ©PAUL SOUDERS

A new financial system *serves up "the information we need to manage the business at the push of a button," says Rich Delmastro, CFO of Da Vinci Gourmet, Ltd., a Seattle maker of specialty-coffee syrups.*

Consultants say it can be difficult to convince small-business owners of the value of an ongoing investment in technology, but the job has become easier during this time of economic growth.

"Companies are beginning to budget for a perpetual cost of technology," says Stephen Allen, president of New York City computer reseller Integrated Technology Systems. "When the customer is prepared for those costs, the shock value isn't so bad."

Developing a technology plan also means recognizing that a firm's needs will change and that the plan must be adjusted to fit those needs. Yet even a preliminary plan provides a decision-making tool that will pay off down the road. **NB**

Sidestepping The Pitfalls

Often, small companies learn about technology the hard way. Their computers crash, their networks become a tangled mess, their software doesn't work. Everyone has a horror story.

Technology that was supposed to make things easier for companies often makes them harder. Computer consultants who work with small firms say companies often are burned the first time they try to automate their business. That makes them reluctant to try again.

Among the pitfalls that can trap companies:

Going it alone. Steven Gray, co-president of New York City-based Eisner Computer Solutions LLC, which consults with small companies, says small-business owners are used to making their own decisions. Rather than pay qualified consultants and resellers for advice, they want to plan and purchase computer systems on their own. But their lack of computer expertise can lead them to make the wrong decisions.

For the names of computer consultants in your area, check with the Independent Computer Consultants Association in St. Louis (1-800-774-4222) or local chambers of commerce, or look in your telephone directory under "Computer Consultants."

Accepting bad advice. Trusting consultants and vendors can be hazardous, too. Many times these companies want to sell small firms a "one-size-fits-all" solution.

They may not take the time to understand a company's business and provide solutions that fit its needs. As a result, firms can be locked into computer systems that don't provide the capabilities they need.

When choosing among consultants, have them present solutions and compare those with your technology plan. Ask them for customer references.

Settling for short-term solutions. Small-business owners sometimes latch on to technology to solve urgent problems with scarce resources, says Raymond Boggs, director of small-business research at IDC/Link, a technology-research firm in Framingham, Mass. The problem is that companies can quickly outgrow hardware and software. Consultants, including Gray, say firms should consider whenever possible how technologies will help them in the future.

Getting trapped by incompatible software. Buying software off the shelf to fill specific needs can come back to haunt a firm, Boggs says. New software has to work with a firm's existing technology.

To avoid a conflict, make sure the software you buy is compatible with what you have in place. The more important the software is to your company, the more careful you must be. Even so, Boggs says, some conflict is inevitable.

Choosing price over performance. Entrepreneurs often experience sticker shock when it comes to hardware, software, networks, and services. This tempts them to buy no-name PC clones and inexpensive "small business" software and depend on computer hobbyist employees to tie them all together.

Stephen Allen, president of computer reseller Integrated Technology Systems in New York City, says small firms need to be more concerned with the capabilities of the technology they purchase. He recommends that small-business owners research products thoroughly by reading reviews in business and computer publications and by asking vendors and consultants questions about the products before making a purchase. The benefit of buying the right technology is that it will pay for itself in the long run.

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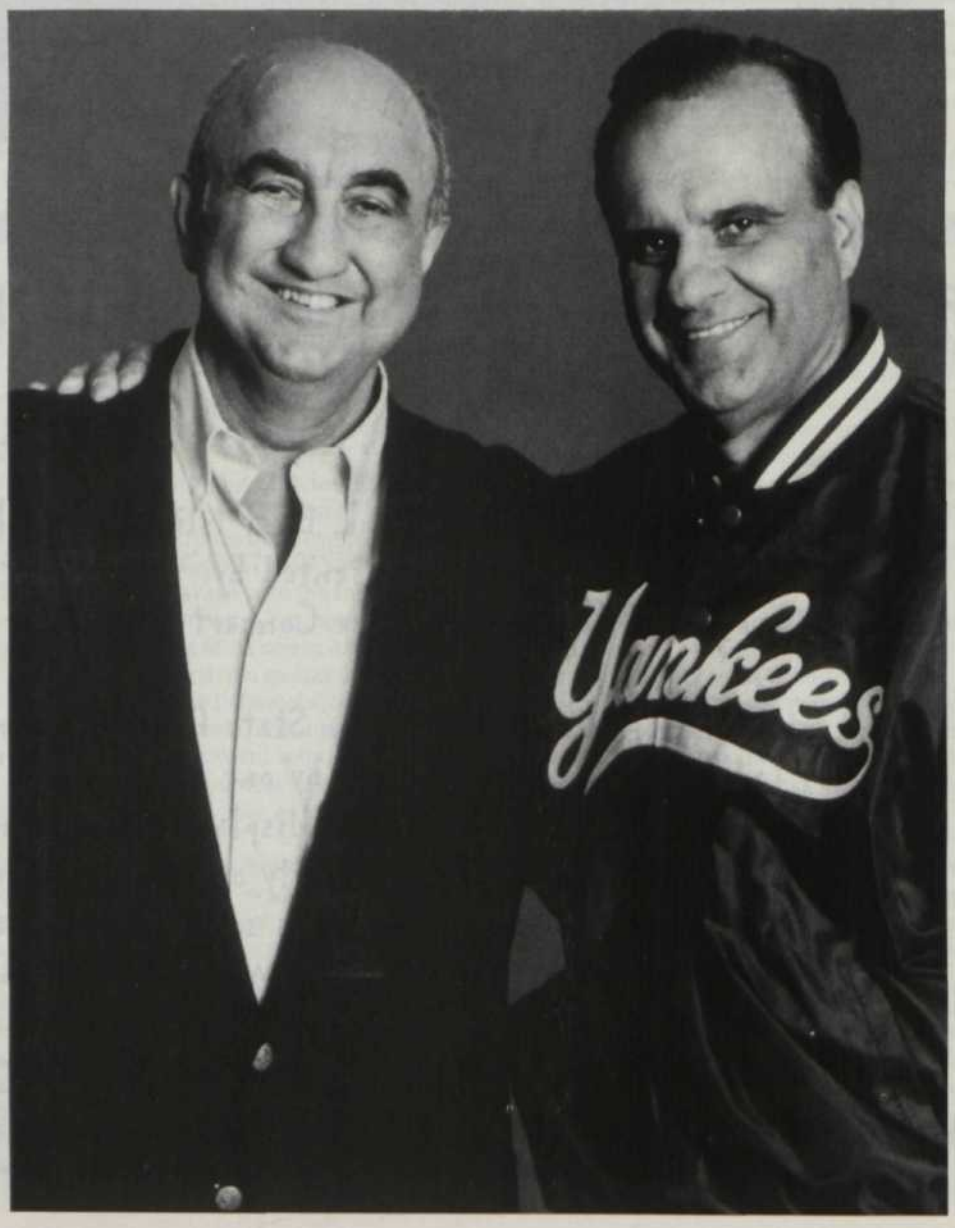
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Riding High On Theme Parks

The nation's thirst for entertainment has spawned a thriving industry for vendors—most of them small businesses.

By Dennis Blank

At age 73, Gerald King, a semiretired attorney, saw his future in a business that seemed not to have one. With the help of four partners, he bought Ride & Show Engineering, a debt-ridden manufacturer of mechanical rides for theme parks. King's gamble three years ago on the firm in Apopka, Fla., has paid off handsomely.

Renamed KX International, the company forecasts revenues of $5 million this year, up 40 percent from 1997. King reversed the company's fortunes by redirecting its core business from manufacturing rides to fabricating lifelike animatronic figures. Within a year, the firm paid off a $300,000 debt it had assumed from the previous owner, and now the company is so successful that it sometimes has to turn down work.

What King saw when he bought the firm was an opportunity to establish a niche business in an exploding marketplace—the theme-park industry.

The nation's 600 theme parks, water parks, and smaller entertainment centers had more than 290 million visitors last year, compared with 253 million in 1990.

This year, according to the International Association of Amusement Parks and Attractions (IAAPA) in Alexandria, Va., U.S. theme parks are expected to generate $7 billion in revenues.

In the past decade, more than 1,100 companies, most of them small, have sprung up to serve the entertainment needs of theme parks, recreation facilities, and even shopping malls, according to the IAAPA.

Dennis Blank is a free-lance writer in Orlando, Fla.

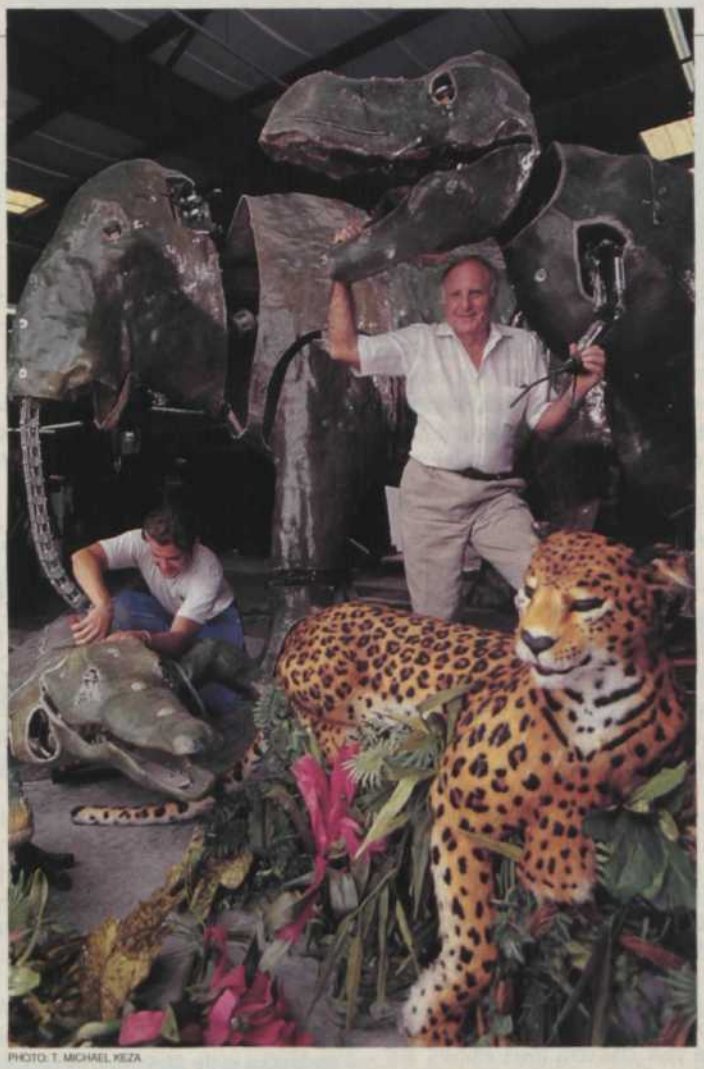


PHOTO: T. MICHAEL KEZA

By creating lifelike creatures—*prehistoric as well as present-day—for theme parks and other entertainment providers, Gerald King has brought his renamed firm, KX International, out of the woods. With him is the company's art director, Jon Laymon.*

"This is a boom period for vendors like ourselves," says Ann Herzog, co-owner with her husband, John Marhoefer, of Florida Entech Corp., an Orlando, Fla., firm that made a pterodactyl for the Flintstones show at nearby Universal Studios.

The public's thirst for entertainment is pushing theme-park owners to make rides bigger and more unusual. There is a boom in roller-coaster construction, for example, and the Walt Disney Co. recently installed a 13-story Tower of Terror elevator ride—the first of its kind—at its MGM Studios near Orlando.

Major shopping malls and restaurants also have jumped on the entertainment bandwagon. KX International, for example, builds jungle animals and prehistoric creatures for the Rainforest Cafe chain of restaurants, some of which are in shopping malls.

Attractions At The Mall

Entertainment began to move into shopping malls after research two years ago by Ogden Entertainment, a subsidiary of Ogden Corp., a New York City-based, diversified company, indicated that consumers would visit a mall more often if they were offered entertaining experiences. That helped prompt Ogden into opening its first American Wilderness Experience attraction in late 1997 at the huge Ontario Mills Mall near Los Angeles.

The attraction includes a simulated outdoors experience, including a walk through a realistic redwood forest filled with live animals and birds, with naturalists as guides; a motion-simulator ride; a retail store; and a themed restaurant, the Wilderness Grill. Five more American Wilderness Experience attractions are scheduled to open this year.

Ogden's move is representative of a trend toward offering one-stop shopping, eating, and entertainment outings. As people's obligations increase and their schedules grow tighter, they "want to be entertained in a shorter amount of time," says Jill Bensley, an industry consultant in Ojai, Calif.

The Driving Force: Theme Entertainment

The chief engines of growth for small entertainment-oriented companies, however, are theme parks. Disney's painstaking standards for its parks—even down to the landscaping—have spawned a generation

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of specialty suppliers who are under pressure to create "projects" instead of products and to turn out "creative ideas" rather than assembly-line production.

Some of these new businesses were started by former Disney employees. And many of the start-ups encompass the visions of inventors who see a better way.

John Symbold, for example, worked for Disney's Epcot Center making fiberglass trees before starting his own firm, Symbold, Inc., which makes realistically hued, sculptured rocks from wire mesh and cement. Creating sculpted rocks has become a thriving business for him and others who decorate resort pools, zoos, and theme parks.

As he was working on rock projects at various Disney sites in and around Orlando, Symbold noticed the thatched roofs at the Polynesian Resort, one of Disney's hotels. He learned that the roofs had to be replaced periodically because of damage from weather and insects. In addition, the dry grass used in the thatching required installation of an expensive fire-sprinkler system.

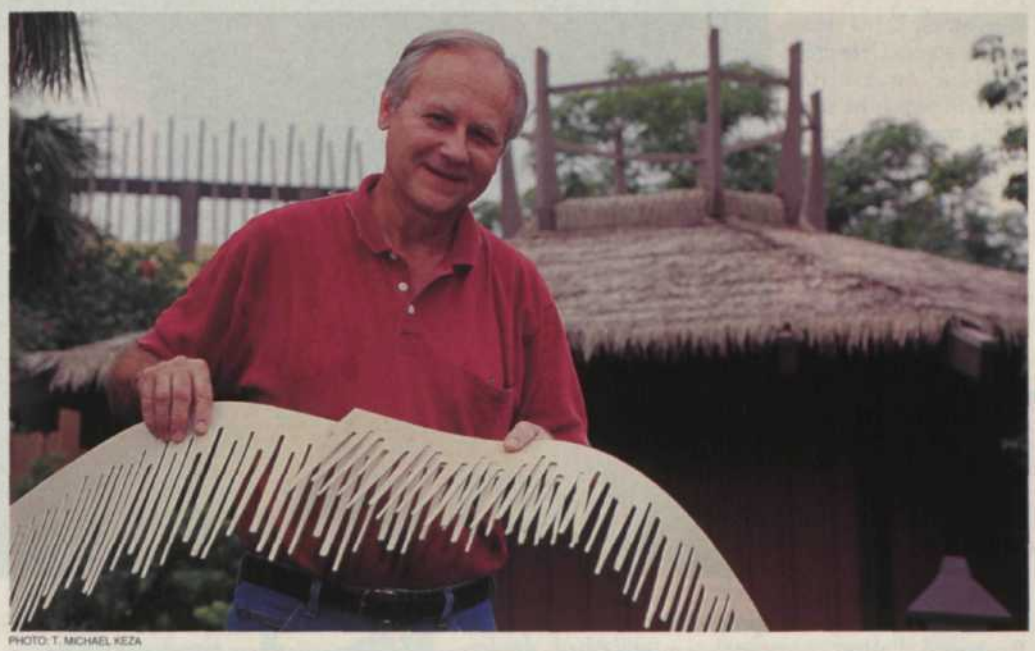


PHOTO: T. MICHAEL KEZA

For the thatched-roof look, *artificial-rocks maker John Symbold came up with an aluminum alternative that lasts longer and is more fire-resistant and cost-effective than Mother Nature's dry grass. His product now provides cover at a Disney resort hotel and will top structures in California and Hawaii.*

It occurred to Symbold that a durable, fireproof material cut into strips to look like thatching could be more cost-effective. He figured he could use 20-gauge aluminum sheeting with baked-on beige coloring to create a dried-grass look. He took the idea to a local metalworking company, which cut precisely the kind of grasslike pattern he wanted.

Even though maintenance workers at Disney liked the idea of aluminum thatching for the Polynesian, Symbold didn't win a contract because a Disney manager thought the aluminum would be too noisy— when in fact the thatching was engineered to be quiet even in a rainstorm. Five years later, however, another Disney manager saw Symbold's invention and liked it, and Symbold got the contract.

After the Polynesian replaced the grass thatching with Symbold's product, Disney gave Symbold a 23,000-square-foot roof job at the Tropical Serenade building at Disney's Magic Kingdom. Disney has specified that the aluminum thatching be used for future projects, and Symbold's new company, Tropic Top, now has clients in California and Hawaii.

The thatching, which is patented, sells in pieces 3 feet long by 14 inches wide for $12 a square foot. Although installing the Tropic Top product is more time-consuming than installing a grass thatched roof, customers like not having to replace it. "We feel the building may deteriorate before the roof does," says Joseph Keil, vice president of the Polynesian Cultural Center in Honolulu.

Rolling Fog To Flowing Lava

Two other former Disney employees—Monty Lunde and Rock Hall, who worked in special effects—started Technifex Inc. in 1984. The Valencia, Calif., firm creates special effects such as rolling fog, wind, thunder, lightning, earthquakes, explosions, and flowing lava. The company is constantly challenged to come up with new designs. "This is a project-driven industry," says Lunde, the firm's president.

Many major theme parks rely on Technifex to produce high-tech shows. The company uses movie projectors, sound systems, and fog or mist to create illusions and virtual-reality situations. The illusions can be dramatic, such as a motorcyclist bursting through a movie screen into the audience.

"We never build the same thing twice," Lunde says. "The quality of the presentation is really important. We are trying to make it much more exciting for people so it will touch all of their senses."

Lunde, whose clients include Disney, Anheuser-Busch Cos.' Busch Gardens theme parks, and the MGM Grand Adventures theme park in Las Vegas, adds that "being a small company, the hardest part is doing business with a multimillion-dollar company. ... [There's] quite a learning curve."

Revenues at Technifex, which has 50 employees, have grown to the point that it is now one of those multimillion-dollar companies, Lunde says.

Small Firms' Major Role

Companies don't have to supply high-tech special effects to do business with theme parks. Renee Barnes launched her company, Benree Designs in Vista, Calif., in 1992 as a consultant. But the firm quickly grew into complete theme design and fabrication, along with costuming. Revenues this year are expected to top $1 million.

Barnes designed fiberglass tables, chairs, and trash cans for Disney's new Animal Kingdom zoological park in Orlando. The furniture and cans are designed to withstand severe weather and to fit the jungle theme at the new park.

For the Kids Freedom Center, a fast-food restaurant in Madison, Ala., Barnes designed separate full-wall murals. One depicts the progressive formation of a star and displays facts about it. The other features space aliens and describes the mythology about them and UFOs.

Being able to create custom designs is important to the success of companies such as Florida Entech and KX International. But two other factors—safety and quality—are of equal importance.

"Safety is critical," says Florida Entech's Herzog. "It gives us a big leg up if we can sign off on safety." She cites the pterodactyl built for Universal Studios as an example. "It carries four actors on a 14-foot wingspan on a monorail," she says, so numerous safeguards had to be built in.

KX International's King says that quality

is essential to his company's success. He created a "warranty fund" in which he sets aside money to cover maintenance and repairs on new installations. Twice a year, any money that isn't needed for repairs or redoing a project is distributed to the 50 employees as incentive bonuses.

Technology Transfer

Small companies that build products for one market sometimes find another, unexpected market in the entertainment arena. One such company is Brewer's Ledge, a Boston firm that makes four models of a rock-climbing treadmill wall for health clubs. About 500 clubs use the product.

Now, entertainment centers, such as the new Wonder Works in Orlando, want the wall for their facilities.

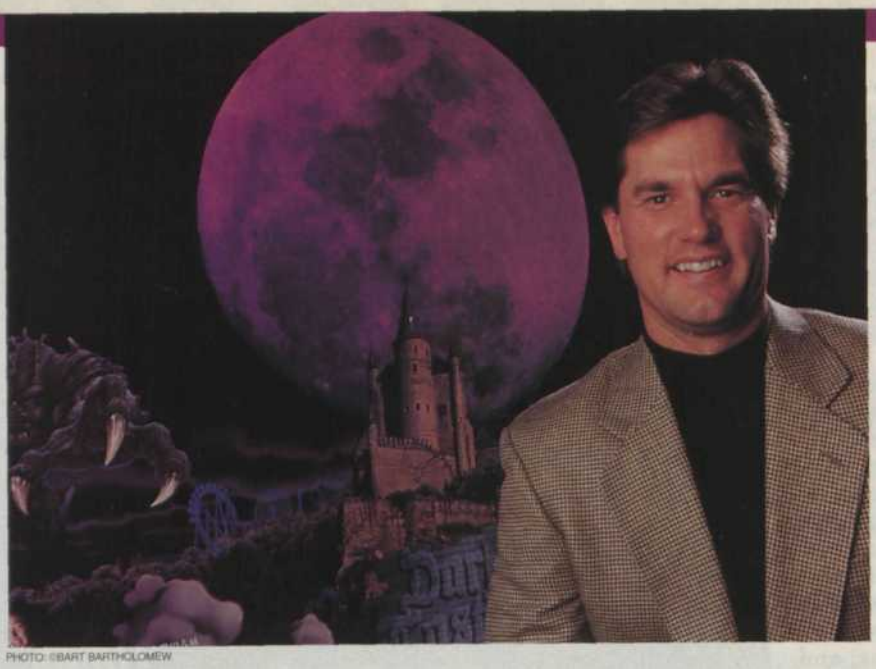


PHOTO: ©BART BARTHOLOMEW

Special-effects maker *Monty Lunde is co-founder and president of Techniflex, a firm whose creations mimic Earth's whims and furies for entertainment-minded clients.*

Rock climbing has grown quickly as a sport. "It's just one of the 'extreme' sports, such as snowboarding, that are booming everywhere," says Peter Inzana, sales and marketing director for Brewer's Ledge. The firm's rock-climbing treadmill "combines thrills, fun, and fitness all in one activity."

That makes it attractive to entertainment-center owners. The largest of the units is 6 feet wide and 11 feet tall and sells for $8,500. Climbers use slots and handles built in to movable walls. As climbers ascend, the wall panels move downward, and the climbers never reach more than 2 feet off the ground.

Looking Ahead

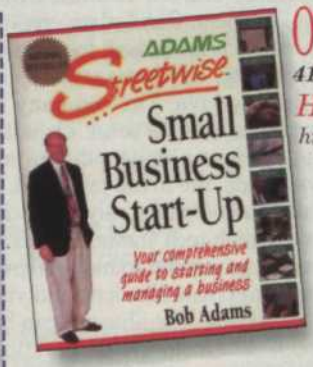
The future looks good for small firms that have developed a niche in the entertainment business. Demand is increasing, according to the IAAPA, which predicts industry growth of 4 percent this year. As Florida Entech's Herzog says, "You never know what you'll be building next." NB

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Free-Spirited Enterprise

By Michael Barrier

Making Music (And Money)

Everyone remembers the high-school rock band that played for a lot of dances, or the goofy guy who sang funny pseudo-folk songs at college coffeehouses. Most such young musicians eventually put their guitars in the closet and settle into more sedate careers. But some have managed to have it both ways, by putting their music to work in business. We talked recently with a couple of such tuneful business people.

The Parodist

Most of the time, Randall Buerkle does business under the name Flagship Consulting. Based in Tipp City, Ohio, Flagship is a serious operation that, as its handout proclaims, "conducts seminars in the areas of customer service, organizational communications, stress management," and so on. In particular, "I try to help training departments be effective," Buerkle says.

That's the serious Randall Buerkle. An earlier version was, he says, a "nightclub performer" for four years in the early '80s. His shtick was improvising a song based on a word or phrase offered by someone in the audience. He put his knack for improvisation to work in a singing-telegram business, too. "Sometimes I'd have to write 10 songs in a day and deliver them that night," he says. "I enjoyed personalizing every song, but it was hard to do."

As much as he loved his music, he says, "I realized I couldn't make a full-blown career out of it. That's when I got my master's degree and entered the corporate world."

Buerkle used music sparingly in some of his consulting work, and in February 1997, in an Internet forum, he tested the idea of a music-based sideline on some of his peers. "The feedback I got was so positive I went forward with it," he says.

Now Flagship Consulting has a "division"—Buerkle wearing another hat—called the Workplace Music Factory. Its product: parodic songs that bear titles like "Do the Paradigm Shift," "Who's Who at the Guru Zoo," and "Buzzwords for Me, Confusion for You."



He has sung his songs publicly perhaps a dozen times in the past year or so in front of groups ranging in size from 10 to 100, but he offers them mainly through recordings.

He's very cautious, though, about calling attention to his musical side. In dealing with a client, Buerkle says, "I don't even bring it up" at the outset. "I don't go into the musical part of things until we have a good relationship."

The Jingle Writer

Like Buerkle, Jeff Arthur had a performing career, in his case on a grander scale. He was part of a folk-rock band called Arthur, Hurley & Gottlieb, which recorded two albums for major labels in the 1970s. And like Buerkle in his singing-telegram days, Arthur is prolific.

What he writes now, though, is advertising jingles.

Arthur heads a Clearwater, Fla., company, Jeff Arthur Productions. He'll go to a city and see as many as nine small-business owners in a day, spending an hour and a half with each of them, usually in a TV station's conference room. He talks to all of them about their businesses and then writes a jingle on the spot.

Although Arthur writes new lyrics for the jingles, he necessarily does a lot of recycling of tunes. "The owners are more than agreeable," Arthur says. "All they care about is whether it has the feel of what they're looking for." What can happen is that a business owner tells Arthur about his business, and Arthur attaches similar wording to a melody that fits.

The small companies don't pay for the jingles themselves. Instead, Arthur gets paid by TV stations that are trying to bring in new clients, or whose existing clients are candidates for increased spending on commercials. The stations use the offer of a free jingle as a lure.

"The station pays us a one-time fee [for a jingle]," Arthur says. "It's based on a lot of things—how much time is going to be put into [recording the jingle], do we need strings and horns, how involved is the vocal session going to be. The client just buys time on the station, at their negotiated rate."

Arthur says he encounters a lot of buyer suspicion: "It's almost like selling a time-share. It's one of those seems-too-good-to-be-true things, and people won't come in because of it."

Arthur finds a kind of artistic satisfaction in his work. "Instead of having a roomful of people at Philharmonic Hall," he says, "I'll have the marketing director and the owner" of a small business, "and they'll applaud. That's enough, because I know they're seeing a side of their business that they never get to see." NB

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Firms' Expanding Internet Presence

A growing number of business-owning families are adding the World Wide Web to their array of promotion and marketing tools.

By Sharon Nelton

If you go to *www.musgroves.com* on the World Wide Web, you'll find yourself visiting the site of Musgrove Family Mortuary, a family firm based in Eugene, Ore.

Through words and pictures, you'll meet Wayne and Kay Musgrove, their sons, Mark and Jeffrey, and their daughters-in-law, Diane and Sharon.

You'll learn a bit about the business's 114-year history and the Musgroves' philosophy. They are, you'll read, "committed to relieving the stress and easing the burden of grief of the families who depend on us, regardless of race, religion, or financial status."

The Musgroves are among the growing number of business-owning families that are turning to the Internet to market their businesses and, in some instances, even sell products or services.

"We're not at the point by any means where the majority [of family firms] have Web sites up, but they're coming online fast," says Patricia A. Frishkoff, director of the Austin Family Business Program at Oregon State University in Corvallis. Earlier this year, she conducted a workshop to help family-business owners determine whether they should capitalize on the Web as part of their marketing strategy.



Like the Musgroves, many family firms use their sites to promote the family dimension of their businesses. The reason Musgrove Family Mortuary does so on its two-year-old site, says Jeff Musgrove, is that there are so many corporate takeovers of funeral homes. "We feel that being family-owned, we can offer better, more personalized service, and we want to promote that," he says.

When companies market themselves as family firms, says Frishkoff, "it's like greeting [customers] and trying to get to know them on a personal level. They're trying to extend that sense of warm, friendly relationship."

The strategy is really no different from advertising as a family business in another medium, Frishkoff says. If a family chooses to capitalize on the family aspect, she says, "it's a strategic positioning that I would expect a family business to take throughout its marketing, not just on the Web."

You can use the Web to build awareness of your products or services, develop leads, provide information, sell products, and provide customer support, according to April L. Lougheed of LockHeed Guidance, Inc., a Fishers, Ind., company that designs Web sites and devises marketing strategies for using the Web. She says a Web site allows you to reduce phones and staff, save on postal and printing costs, update information immediately, and create a demographic customer database automatically.

Seeing What Others Have Done

One of the best ways to begin thinking about whether you want to promote your family business on the Web and how you might go about it is to visit other family-business Web sites and determine what you like and dislike.

You can make your site fun, for example. At *www.jellybelly.com*, the site for Herman Goelitz, Inc., the Fairfield, Calif.-based maker of Jelly Belly jelly beans and other candies, you call up topics by clicking on brightly colored jelly beans. The site features a cartoon jelly bean that serves as your guide and sometimes does an energetic back flip. When you want to return to the site's home page, a jelly bean will "bean" you home.

You can also make your site funny. Columbia Sportswear Co. in Portland, Ore., uses scowling pictures of the family-business matriarch and chairwoman, Gert Boyle, 74, otherwise known as "Mother Boyle." She's promoted as "one tough mother," and the company slogan is "Where Mother's Nature Rules."

The approach fits in with a larger advertising strategy promoting Boyle. Columbia's sales have grown from $3 million since the campaign began in 1984 to $353 million last year—information gleaned from the company site at *www.columbia.com*.

Some sites are very interactive. At the Musgrove Family Mortuary site, for example, you can fill out an online form to plan your own funeral and send the form

to the company electronically.

Other companies provide useful information that promotes their products. Based in Salisbury, Md., third-generation Perdue Farms (*www.perdue.com*), the second-largest poultry producer in the United States, lets you print out chicken and turkey recipes and offers tips on cooking and storing poultry.

Cost Calculations

The costs of Web-site development vary according to the site's complexity. FuneralNet is a company in Portland, Ore., that develops Web sites and specializes in the funeral industry; the firm designed the Musgrove site.

FuneralNet's president, Michael Turkiewicz, says a basic start-up plan that includes four pages of text, graphics, and pictures costs $1,000. For $4,000, the client can get a site with up to 30 pages. (You can click on samples of each level of Web site that the company designs at *www.funeralnet.com.*)

It costs about $650 to $900 a year to maintain a site, Turkiewicz says, plus the $35 annual registration fee for the site's name and about $20 a month for access to the Internet.

If a family business has the talent in-house, it can develop its own Web site. Aaron Hogue, president of Hogue Grips, a Paso Robles, Calif., company that makes handgun grips and rifle stocks, put together his firm's site. At the bottom of its home page at *www.getgrip.com*, there's this message: "Web Site designed by Aaron Hogue (I have nobody to blame but myself)!"

Looking Forward

Jeff Musgrove says he feels that his company is positioned well for the future. "The more we get the word out that we have a Web site and the more people become computer-literate and Internet-friendly, the more they're going to benefit, and we're going to benefit from having that Web site," he says. He's pleased at how much information the site provides.

If your family business is moving in the direction of going on the Web, you can consider these helpful tips from Web-site designers, business people, and family-business experts in academe:

- Put a plan on paper before you put anything on a site. OSU's Frishkoff says there are some things you should consider, such as who your customers are. Because being on the Web enables you to reach the world, you will have to decide how you will respond to that person in Indonesia, for example, who calls up your site. And you should decide how often you will want to update your site.

- Allow time not only to create the site but also to maintain it. Even if you have an outside firm develop the site, you have to take part in the process.

- Create your own Web site; don't piggyback on someone else's. "Many family businesses get on the Web through their trade association's site, and then you can't find them. They get buried," says Susan M. Schierstedt, director of the Wisconsin Family Business Forum at the University of Wisconsin-Oshkosh.

- Give thought to the background. For example, a thin typeface in white against a dark background can be difficult to read.

- Include your company's address and telephone number. Some of your Web-site visitors may want to call for more information or to place an order.

- Think about ways to market the "family" part of your business. You can have family pictures—including historical ones—that emphasize family relationships, suggests Frishkoff. You can also set forth the values of the family. "I would take the approach that really is forthright in terms of 'we're a family business and here's who we are,'" says Frishkoff.

Once your site is developed, Turkiewicz advises, "make sure that you market it properly." You need to promote your site on the Internet itself, making sure you're listed with search engines like Yahoo!, Infoseek, and Excite, he says.

You can also have your site linked to other organizations, like the local chamber of commerce, and put advertising banners on other Web sites, like that of the local newspaper. Links and banners, which are frequently used for advertising, enable the user of another Web site to jump to your site with just a mouse click, Turkiewicz notes. It costs $200 to $300 to develop a banner, he says.

You also should market your site in all the traditional ways, making sure your Internet address appears in the Yellow Pages or other advertising and on your letterhead, business cards, and direct-mail pieces.

"If you don't advertise it," says Turkiewicz, "it's like putting a billboard out there in the desert somewhere, where nobody's going to drive by it."

Visiting The Sites

For a quick tour of other family-business Web sites, visit the Oregon State University Austin Family Business Center at *www.familybusiness.orst.edu.* It offers links to 39 Web sites here and abroad. NB

MARK YOUR CALENDAR

Aug. 5, Springfield, Ill.

"Managing Change in the Family Business: Learning To Thrive During Transition" features nationally known family-business consultant John Messervey. To be repeated Aug. 6 in St. Louis. Call Pamela Burlingame of the Family Business Forum at Southern Illinois University at Edwardsville; 1-800-692-4333.

Aug. 6-9, Snowmass Village, Colo.

"The Aspen Family Business Gathering" is an interactive, informal conference for families in business. Program leaders include five nationally known family-business professionals: David Bork, Leslie Dashew, Dennis Jaffe, Sam H. Lane, and Joe Paul. Call The Aspen Family Business Group; 1-800-835-5883.

Sept. 10, Pittsburgh

"Balancing Work, Family ... Life" addresses the difficult issues of relationships when family members work, live, and play together. Call the Family Enterprise Center at the University of Pittsburgh; (412) 648-1542.

Sept. 15, Salt Lake City

"Succession Planning for Family Businesses" is a one-day program co-sponsored by, among others, *Nation's Business* and The Cambridge Institute, a Vienna, Va., management company. Call Kim MacAdam; (703) 790-9595, Ext. 193.

Sept. 15, Las Vegas

"The Five Keys to Family Business Success," a program of the University of Nevada, Las Vegas Family Business Symposium, features family-business author and consultant John Ward. Call Ann Tate at (702) 895-3707.

Sept. 17, Washington, D.C.

"Mind Your Own Business and Keep It in the Family" is a morning program featuring Marcy Syms, CEO of Syms Corp. For additional information, call the American University Family Business Forum at (202) 885-1897.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

Case Study: Aging Dad Finds Romance

Robert is 83 years old. His wife, Leslie, died six years ago after a long illness. They had been married for 50 years.

In the first few years after Leslie's death, enduring his loneliness, Robert implemented an effective succession plan for the family's business, transferring leadership and most of the ownership to his three children. He retained just enough stock to be a first-class second-guesser. Robert had accumulated significant personal wealth, and his children, all in the business, encouraged him to travel, enjoy life, and spend time with his grandchildren.

Two years ago, Robert began dating. Nothing serious, mind you. He was discreet, making sure his women friends were the "right sort." Over time, Robert became a social animal, escorting three lovely ladies, Elizabeth, Sandra, and Jane (though not on the same evening!). Sandra and Jane are financially independent; Elizabeth's means are much more modest.

After four difficult and lonely years, Robert was having a ball. But lately, he has become a one-woman man, seeing a lot of Elizabeth.

The children think that 75-year-old Elizabeth is a conniving gold digger. As proof, they note that Elizabeth manipulated Robert into trading his Jaguar for a Bentley (which he drives mostly to the chiropractor and the physical therapist). They worry that Robert might marry Elizabeth.

While that is not his intention, he says, he is angry at his children for being nasty to Elizabeth and hurting his relationship with her. And he loves the Bentley.

The children are convinced that anyone under Elizabeth's spell must be crazy, so they no longer consult Robert about business issues. And since Robert feels cut out, he has become supercritical of his children's decisions. "How can I alter this situation?" he asks.



ILLUSTRATION: TROY THOMAS

Response 1

Remove Any Blinders

While it's always so refreshing to hear from an older adult who is enjoying life to the fullest, as you are, Robert, there are several key elements to improving the situation that you describe.

First, the ownership issues need to be fully resolved. Set up the transfer of the remaining shares. This will reassure your children. Remind them of your love for them, and be an involved grandparent. Let go of the business entirely, and advise only when asked. Let your children come to you.



PHOTO: ©RICHARD HOWARD

Marc A. Silverman, president of Strategic Initiatives International, a family-business consulting firm in Providence, R.I.

On a deeper level is a sense of family alienation that appears to be growing. This needs to be discussed and explored between you and your children. When family members are unable to support one another during their critical challenges, it's good to ask why. Initiate these conversations. Many children have trouble with a person they regard as "the replacement" for a loved one who is irreplaceable.

But maybe your children have a point. You certainly wouldn't be the first older man to misjudge the intentions of a beautiful woman. Accord your children the dignity of acknowledging that they may be right, and let them suggest ways to remove any blinders you may be wearing.

For example, even though you don't expect to marry Elizabeth, the two of you could try six sessions with a qualified marriage counselor and include the children in at least one of those visits. If you and Elizabeth get over this hurdle, insist that your children welcome and honor her as your beloved and treat her the way they have wanted you to treat their own beloved ones.

Response 2

Defuse The Situation

Children frequently resent stepparents, and that resentment tends to increase with the size of their natural parent's wealth.

Here's their nightmare: Dad, despite what he says now, weds the "manipulative" Elizabeth. Dad becomes impaired or dies. Elizabeth suddenly becomes a first-class meddler in the business and a huge break in the emotional dike protecting their inheritance.

Two significant facts: Robert cares about his ongoing relationship with his children, and Robert controls his wealth. His best option is to use his power to ease their concerns.



Donald J. Jonovic, president of Family Business Management Services in Cleveland.

Change No. 1 is to clarify the eventual disposition of his remaining family-business stock. In keeping with his original plan, his children should receive his stock after his death. A simple restriction in the shareholders agreement, making sure the stock goes only to the children, would accomplish that.

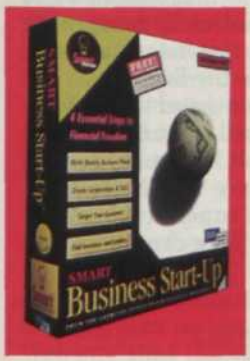
Change No. 2 requires that Robert decide what part, if any, of his personal wealth he wants to protect for his children. This can be done via trusts, prenuptial agreements, insurance, and so on. He should put those protections in place now.

Most important, he should inform his children of his intentions. The information/communication component is too often forgotten. Knowing their father's plans can help reduce the children's fears.

The children may not consult Robert about future business decisions (after all, he *did* give them the business), but by taking these steps, he'll be more likely to see a lot of his grandchildren in the future.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Paul I. Karofsky, executive director of the Northeastern University Center for Family Business in Dedham, Mass. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Boston. You can comment on this case study on the World Wide Web at *www.ffi.org/forums.html*.

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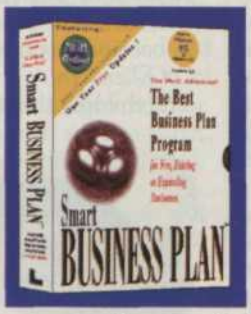


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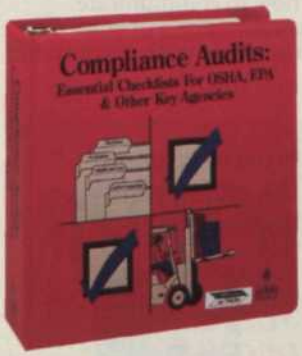


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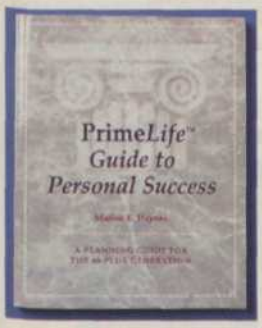


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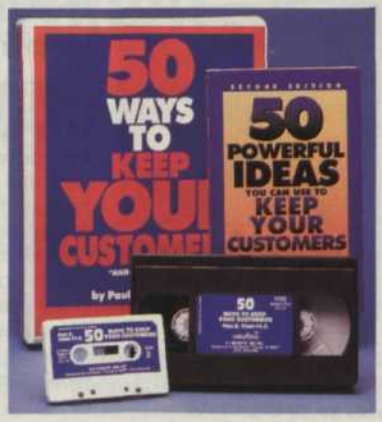
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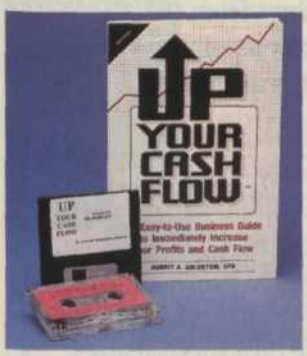


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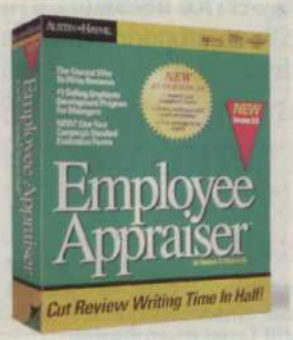
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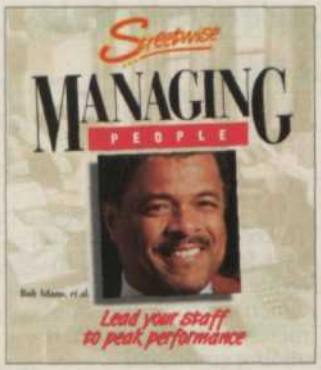
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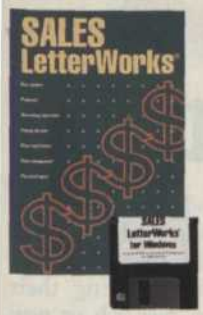
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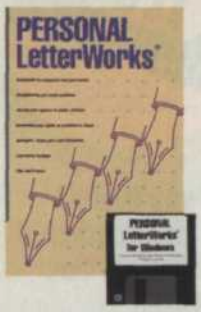
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June Poll Results

Readers' Views

Training Needed

One-third of the respondents to the Where I Stand poll in the June *Nation's Business* said that most of their employees are not adequately trained for their jobs.

Results of the poll also indicated that investment in worker training may pay off. It showed that although two-thirds of respondents said that most of their workers are adequately trained, two out of three said they spend at least 1 percent of their payroll—the average for companies—on job training.

The poll also found that in three out of 10 businesses, a significant number of employees had asked owners and managers to provide or pay for job training. And four out of five respondents said they themselves had taken specialized training during their careers to prepare for a new job or new duties.

Training and holding on to skilled workers is a major concern for U.S. businesses, and many firms are facing a shortage of workers as the national unemployment rate is at its lowest level in a quarter-century. (See "Building Better Workers," June.)

Here are the complete results of the poll:

Questions And Answers

Are most of your employees adequately trained for their jobs?

Yes	66%
No	34

Are you willing to spend at least 1 percent of your payroll, roughly the average among companies, for employee training?

Yes, I already do	69%
Yes, I plan to do so	18
No	13

Have a significant number of your employees asked you to provide or pay for training?

Yes	30%
No	70

Have any employees left your firm because you were unable to provide the training they wanted?

Yes	5%
No	81
Don't know	14

Have you ever taken specialized training during your career to upgrade your skills or prepare for a new position or job function?

Yes	80%
No	16
No, but I plan to do so	4

Where do you go, or where would you go, for off-site training for your workers? (Check all that apply.)

Manufacturer's facility	40%
Local training schools	42
Community colleges	43
Other	40
Won't go off-site	14

Where I Stand



On Trade Issues

U.S. small businesses, by increasing their exports, are making international trade a larger and more important part of the nation's economy. (See the Cover Story, Page 14.) These questions seek your views on trade matters.

Results of this poll will be published in the October issue of *Nation's Business* and will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid Reader Response Card. Or circle your answers and fax this page to (202) 463-5636.

1 **Do you think the federal government does enough to promote U.S. exports?**

1. Yes
2. No

2 **Should the United States impose unilateral trade sanctions on other countries to force changes in those nations' domestic policies, even if our competitors don't follow suit?**

1. Yes
2. No
3. It depends on the countries and the policies

3 **Do you think the United States places too many restrictions on its exports?**

1. Yes
2. No
3. Unsure

4 **Should U.S. trade agreements with other countries include issues other than trade matters, such as labor and environmental issues?**

1. Yes
2. No

5 **Should there be any restrictions on the kinds of imported products that can be sold in this country?**

1. Yes
2. No
3. Maybe, in some cases

6 **Do you import or export any goods or services?**

1. Export only
2. Import only
3. Export and import
4. No

7 **If you do not export, why not?**

1. I don't believe I need foreign markets to grow
2. My product or service is not exportable (e.g., retail store)
3. I'm concerned about costs versus profits
4. It's too complicated
5. Not applicable

Send Your Response Today!

Making It

Growing businesses share their experiences in creating and marketing new products and services.

New-Age Playgrounds

By Dorothy Elizabeth Brooks

After a typhoon hit the U.S. naval base in Guam in the fall of 1996, the only playground equipment left standing was some made by Safeplay Systems, a Marietta, Ga., company that has a unique manufacturing process: Nearly all of its extremely durable play sets are made from recycled plastics—primarily milk jugs.

The idea came from Robert Gredys, 57, a steel-industry veteran and self-described environmentalist. He became an entrepreneur in 1990 when he used about $70,000 in personal savings to purchase a small company that made hundreds of products out of redwood—everything from outdoor furniture to flower boxes. But there was a problem, Gredys says: "The product line was far too diverse, and you couldn't focus on one market."

To turn things around, Gredys began concentrating on his most profitable line—playground equipment, including swing sets, horizontal ladders, and climbing structures. At the same time, he set out to develop an alternative construction material that would offer advantages over wood and metal when it came to durability, maintenance, and safety.

It took four years of work with a polychemist to arrive at the right formula. The biggest challenge was developing a material that would be sufficiently heat-resistant to be used for play sets—something others had failed to do. The result, called Ecoplay because it is made from recycled plastics, "has been tested from 140 degrees below zero to 140 degrees above," says Gredys. His Ecoplay sets have a 50-year guarantee—far longer than the typical guarantee of 10 to 15 years for steel or wood play sets. And the prices are competitive—less than steel, slightly more than wood.

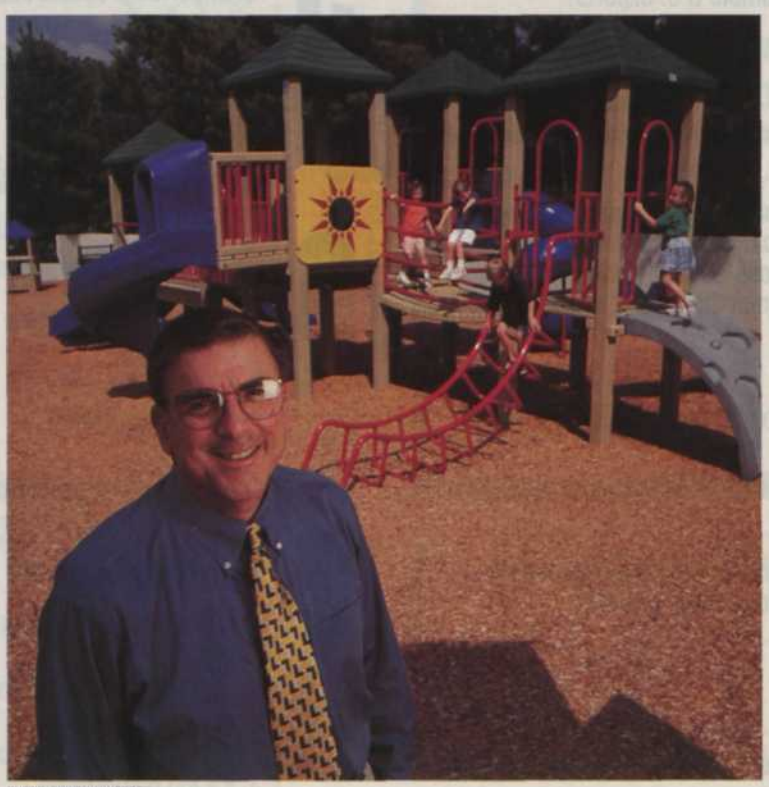


PHOTO: ©MARK ANDERSON

The play sets *made by Robert Gredys' company are not only durable but also good for the environment.*

In the beginning, Gredys' refocused company—renamed Safeplay Systems—encountered market resistance to Ecoplay.

Initially, Safeplay concentrated on residential customers, and until three years ago the firm sold its products for homes only from a store that the company had at the time in Atlanta. But a shift to larger projects—chiefly for schools, churches, and day-care providers—has contributed to the firm's financial progress.

"It used to be that our average sale was $4,000 to $5,000, and we were ecstatic," Gredys says of his sales to schools and other nonresidential customers. But now his installations range from $4,000 to more than $150,000. The company does a lot of its marketing at education trade shows.

A major turning point came in 1995, when Safeplay was selected over several larger competitors to build a playground for the Park Conservancy in Thomasville, Ga., a nonprofit group that raised funds to improve a historic park in the center of town.

Larger companies seemed unaccommodating. For instance, says the conservancy's president, Carter Arnest, his group wanted the playground equipment to be brown plastic so it would blend in with the surroundings, but "one of the companies told me with a straight face that their chemists could not make plastic brown."

The group turned to Safeplay. Gredys said he could make the equipment in any color the conservancy wanted. He also worked with Arnest to produce a bilevel design incorporating slides, crawl tubes, bridges, and climbing structures.

Ecoplay has proved to be thoroughly durable, says Arnest. "Three years later, the playground looks exactly like it did when it was installed. It has not required any repair, maintenance, or modification. It hasn't required anything."

The Thomasville project, 100 by 30 feet, was the biggest at the time for Safeplay. It led to contracts for at least 30 other playgrounds and still generates referrals.

Also fueling Safeplay's success is repeat business. Arnest has come back to Gredys for an additional structure in the

Dorothy Elizabeth Brooks is a free-lance writer in Marietta, Ga.

Thomasville park. Another early client, Peachtree Presbyterian Church, one of the largest churches in Atlanta, did not seriously consider any other companies when it decided to build a new playground that will incorporate a play structure Safeplay had installed a few years earlier. "We went back to [Gredys] because he had done such a good job the first time," says Laura Poe, administrator of the education program at the church.

In 1995, the first full year that the firm marketed Ecoplay, Safeplay's profits jumped 400 percent. Profits then doubled in 1996. Gredys keeps exact revenue figures under wraps but says that 1997 sales exceeded $4 million.

Gredys says that aside from the $500,000 mortgage he took out last year to buy the 20,000-square-foot manufacturing plant he formerly leased, he has not borrowed a dime to run the 30-employee company. He plans to open a second business this year to produce Ecoplay—a process he has contracted out thus far.

The play set in Guam is one of about 5,000 playgrounds that Safeplay has installed around the world. While vigorously pursuing sales, Gredys and his crew are busy developing new formulations of recycled plastic to stay ahead of the game. "In a small business," Gredys says, "you have to be agile." ■

Sewing Up Success

By Mark Richard Moss

Rudy Shepard was trained as a mechanical engineer, and his wife, Sharon, was a data processor. But Rudy has taken Sharon's hobby—sewing—to a level that would be the envy of any small-business owner. Sales for Soft Stitch, their Greensboro, N.C., company, reached $250,000 last year and are expected to surpass $300,000 this year.

Rudy Shepard's path from designing valves used in cryogenics (as a $40,000-a-year employee at an engineering firm) to running a successful alterations and embroidery business was charted by his wife's avocation and his desire to be his own boss.

Sharon says she was in seventh grade when a woman making church ushers' uniforms told her: "Sharon, if you want to learn how, I will teach you." With the woman's help, Sharon made her own uniform. "That's where it started," she says. Her father bought her her first sewing machine when she was 14.

Today, the couple's business has embroidery contracts with, among others, Procter & Gamble, AMP Inc. (an electrical-products manufacturer in Harrisburg, Pa.), and AT&T. It also does work for many smaller customers such as schools and clubs.

Rudy graduated from the University of North Carolina at Charlotte in 1985 and worked in that city for five years; Sharon was a data-processing employee for a Charlotte bank. In 1990 he accepted a job in the Greensboro area. They moved there and bought a house. Sharon left the job market to have a baby and then returned to work for another bank.

Because Rudy was making more money than Sharon, it didn't make financial sense for him to quit and pursue his entrepreneurial dream, he says while facing a mountain of work on his desk at the front of the couple's noisy shop. They concluded that before he could make such a move, they would have to find something for Sharon that would increase her income.

That something was a small alterations shop that the couple bought in late 1991 for $30,000, with financing help from the former owner and a bank loan. Sharon quit the bank and ran the shop—which they named Soft Stitch—while Rudy continued working at the engineering firm.

Within six months, the owner of a dry-cleaning business that was one of Soft Stitch's customers told the Shepards about his plans to open a dry-cleaning shop in nearby Burlington, where Rudy worked. Would they be interested in opening an alterations shop at the new site? They accepted the offer, and the proximity of the second shop to his job allowed Rudy to manage the new operation while still maintaining his full-time responsibilities.

During their first two years in business, the Shepards received a number of requests for monograms—work they had to farm out for lack of equipment. Rudy figured that if he owned his own embroidery machine, he could teach himself to do monogramming and embroidery. Initially, the $25,000 price tag for a single-head unit was much more than Soft Stitch could afford. But nearly a year later, in late 1993, they bought a machine, with financing by the manufacturer.

Rudy learned to monogram and embroider, and he filled orders at night. He bought a pickup truck and took his embroidery machine on the road, visiting weekend events such as fishing tournaments and football games. He offered on-site embroidery and took orders.

With business increasing, the firm acquired a second machine in 1994 and, the following year, a larger pickup and a 12-by-6-foot enclosed trailer to accommodate more equipment. With Rudy's responsibilities growing, the Shepards sold the Burlington shop, and in 1996 he left the engineering firm.



PHOTO: ©NANCY PIERCE

With a thriving *alterations and embroidery business, Rudy and Sharon Shepard are realizing material gains.*

Today, Soft Stitch employs eight people and keeps three embroidery machines humming. Sharon runs the alterations operation, and Rudy estimates that the two sides of the business—alterations and embroidery—generate equal portions of the firm's income. He hopes to move the embroidery operation to an industrial park and increase the number of machines.

Asked if he misses being an engineer, Rudy says he does miss having a regular income. Although he's co-owner of a thriving business, he says: "I'm always worried about a steady paycheck. I think maybe it should stay that way. If I stop worrying about it, and I stop looking, then all of a sudden it'll stop coming." ■

Mark Richard Moss is a free-lance writer in Winston-Salem, N.C.

MAKING IT

A Way With Words

By Harriet Webster

Michael Quinlan didn't have much success learning foreign languages during high school and college. He studied German for two years, but when he took a trip to Germany, he found he was unprepared to use the language.

Today, after a career involving computers and international trade, he is president of Transparent Language, a Hollis, N.H., language-software company with $9.8 million in annual revenues and 60 full-time employees.

The company's success is rooted in a discovery Quinlan made 11 years ago while teaching his son to read. "Evan would choose whatever book he wanted, easy or difficult," Quinlan recalls. "He would read words like 'a,' 'and,' and 'the.' Whenever he got a word he didn't know, he would say 'beep!'"

Instead of urging his son to "sound it out," Quinlan would say "brontosaurus"—or whatever the word was—and his son would repeat the word.

Evan would continue reading, and inevitably, after he'd "beeped" the word four or five times, it would come up again, and this time he could read it.

"I got to thinking about what it would have been like if I could have learned a foreign language this way," Quinlan says. And he began to realize that he might be able to create that kind of learning by using a computer.

Convinced that he had found a better way to teach languages, Quinlan launched his company in 1989, mortgaging his home and maxing out his credit cards to fund it, he says.

His flagship product, the Language Now series, is offered in nine languages. His Power series, geared to business people, teaches Japanese and Chinese, and it embraces the characters unique to those languages. Another group of products is for native speakers of other languages who want to learn English.

Harriet Webster is a free-lance writer in Gloucester, Mass.

Right from the start, the Language Now programs immerse learners in an interactive environment that allows them to see, hear, and speak the language. They can decode new vocabulary with a click of a mouse (just like a "beep") and seek out grammar explanations with another click. Using a microphone and headset to speak to the computer and get feedback, they listen to native speakers and then participate in role-playing situations to increase their conversational skills.

Dozens of add-on titles are available to expand the program content for intermediate and advanced users.

"We include all sorts of topics, ranging from classical literature to current articles relative to the country's economic and political situations to information for business people working abroad," says Ilana Minkarah, the company's editor for the Russian-language program. Born in the former Soviet Union, she records much of the Russian material.

Transparent Language entered the translation-products market in 1996 when Intergraph Corp., a Huntsville, Ala., computer company, decided to sell the technology it had developed for professional translators over 15 years at an estimated cost of $20 million.

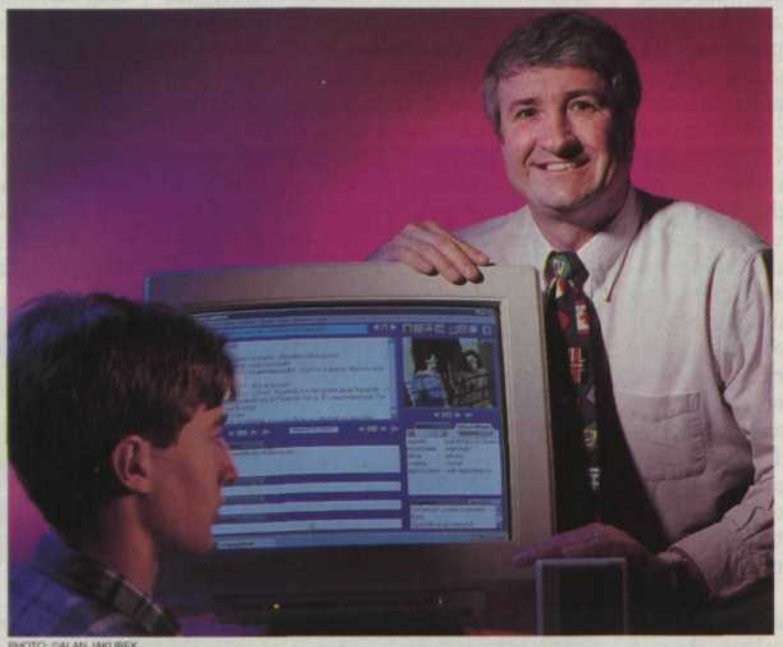


PHOTO: GALAN JAKUBEK

A discovery *that Michael Quinlan made when he was teaching reading to his son, Evan, now 15, led to the creation of language software programs that immerse learners in an interactive environment.*

Quinlan jumped at the opportunity to acquire the technology. Although he won't disclose what he paid for it, he says his company could never have afforded to develop it.

Transparent Language transformed the technology into a consumer product that sells for under $100. EasyTranslator allows users to translate letters, electronic mail, and World Wide Web pages instantly to and from English and any of five other languages with a simple mouse click.

Quinlan emphasizes that the translation is far from perfect. "We call it instant, inexpensive 'gisting,'" he says, "because you get the gist of the material."

For companies involved in international business, Transparent Language developed Transcend, a more accurate translation program that can run from a network server.

Grace Brock, an engineer at HKC, Inc., a transit-engineering consulting firm in Warrenton, Va., uses Transcend for English/Spanish and Spanish/English technical translation.

Her company installs and tests railroad lighting and safety equipment, and the firm often does business in countries where the native language is Spanish.

"We translate the specs, the user manuals, and all the existing documentation into Spanish with this product," Brock says. She can type a letter in English for a customer in Venezuela and, with the push of a button, translate it into Spanish and send it via e-mail. "When I get a letter from them, I copy their document and then translate it into English instantly," she says. "It saves a tremendous amount of time."

Quinlan, who now speaks German competently and French adequately, sees numerous opportunities ahead for Transparent Language.

"Language is a huge human endeavor," he says. His goal is to keep the company on track by making sure it focuses on the needs of people throughout the world who are working with languages.

"It is absolutely clear to everyone associated with this company," he says, "that there is going to be a company that is *the* language-software company. Our goal is to be it." NB

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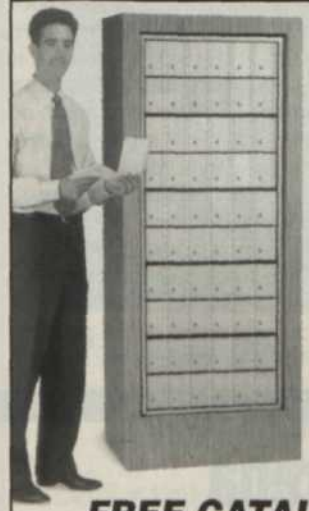


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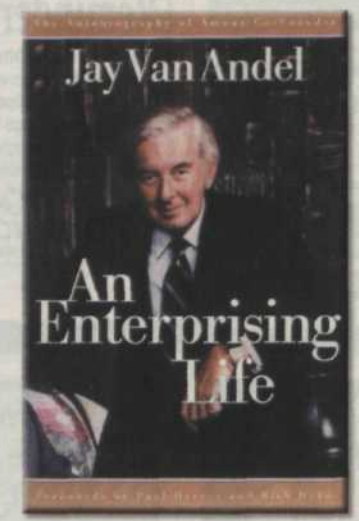
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Book Reviews

Two leaders—one in business, one in Congress—make the case for creative entrepreneurship and limited government.

A Very Big Small Business

"If you're looking for 'insider information' on how we became successful," Jay Van Andel, co-founder of Amway Corp., writes in his autobiography, *An Enterprising Life* (HarperBusiness, $24), "you could start with two words: persistence and enthusiasm."



Such words could be spoken with equal conviction, probably, by thousands of successful small-business people. Sometimes, of course, those small companies grow into very big ones, and that is what happened with Amway, the Grand Rapids, Mich.-based direct-selling giant that Van Andel created with Richard DeVos.

Van Andel writes as an entrepreneur, the longtime head of a family business (his son Steve has succeeded him as chairman) that just happens to be a lot bigger than most. Three million self-employed distributors now sell billions of dollars' worth of Amway products throughout the world every year.

As with so many successful entrepreneurs, it was being in business, more than any particular kind of business, that fired Van Andel's imagination. If there were customers waiting to be served, a lack of expertise in a given field was a challenge, not a handicap. He and DeVos started out in business together in the 1940s as owners of a company, Wolverine Air Service, that taught people how to fly an airplane—even though neither of them was a pilot.

How they progressed from that venture through others to the company that became Amway is a story that must be left to the book itself. Suffice it to say that even as Van Andel writes of ventures that grew to be imposing in size, he never ceases to speak in the voice of an entrepreneurial small-business person.

If Van Andel's success is inspiring, quite another reaction is produced by his accounts of difficulties with the mainstream media and, especially, government regulators—both here and abroad. The lesson to be drawn from his sometimes searing experiences is that the very persistence and enthusiasm that lead to business success can make an entrepreneur an all-too-tempting target for cynical and resentful critics.

Although Amway has emerged stronger from its battles, Van Andel warns that free enterprise's foes retain the capacity to inflict much more damage on companies like his. Fundamental change—including an end to the progressive income tax—is needed, he argues, and he warns that it will come hard.

"The truth is," he writes, "that government redistribution has invaded almost every facet of our society, and, therefore, a cutback in the size of government is going to affect almost everybody. And unless we, as a nation, collectively and individually are willing to accept the temporary costs of that cutback, we cannot enjoy the sizable long-run benefits."

Van Andel has translated his concern about government's role into action, both at the national level—he served for 14 years on the U.S. Chamber of Commerce's board of directors, including a year as chairman—and in Amway's hometown of Grand Rapids, where he has spearheaded a downtown revival.

"In a sense, I had to do it," he says of the Grand Rapids projects. "If I truly believe all that I have preached about free enterprise and business, I couldn't stand by and let the government do it."

Today, at age 74, Van Andel not only suffers from failing health himself (he has Parkinson's disease), but he has had to watch his beloved wife fall victim to Alzheimer's disease. He is sustained by his Christian faith, by his four children, and, it seems clear, by the same persistence and enthusiasm that propelled him through a spectacularly successful business career.

"No matter what government may do to hinder their essential work," he writes, "entrepreneurs will always be there. And as long as entrepreneurs are with us, and they live moral lives, there is hope." ■

Life In The Legislative Arena

It's instructive to read Speaker of the House Newt Gingrich's *Lessons Learned The Hard Way: A Personal Report* (HarperBusiness, $25) in tandem with a book like Van Andel's.

For a business person, dealing with government can be frustrating and expensive, with repeated reminders of government's institutional bias against the imagination and the daring that successful entrepreneurs embody. The Georgia Republican's efforts to rid government of that bias have spawned ferocious conflict.

When he came to Congress in 1979, Gingrich writes, "I wanted to do nothing less than replace the welfare society with a society full of opportunity. I dreamed of a society that would begin to move the powers of a smothering, overcentralized federal government back to the states and local governments and into the hands of volunteers much closer to the people and better aware of their real needs and wants."

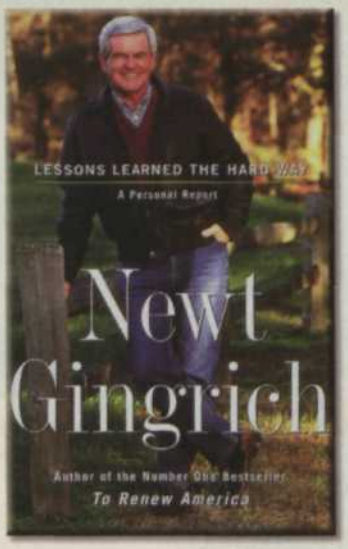
The "welfare society" had accumulated

its loyal adherents, though, especially among congressional Democrats. It was the vehicle they rode to power and, often, to wealth. By contrast, he says, "Republican politicians tend to be people who have been successful at other things first and who have gone into the business of running for office to achieve certain ends."

Republicans, he continues, "want to break down the old system and return the power it has usurped to the people for whom it was intended. Therefore we cannot simply stay in power but must find better ways, for example, for the country to make itself focus on the creation of new wealth instead of remaining preoccupied with the means of redistributing what wealth already exists."

Gingrich's great offense, in the Democrats' eyes, was not just that he challenged their ideas (which by the 1980s were largely threadbare in any event) but also that he threatened their hold on power. When that threat became reality—when he first drove House Speaker Jim Wright of Texas from office in 1989 and then led the GOP to triumph in 1994—he earned their undying hatred.

Warfare between Gingrich's Republicans and the congressional Democrats (and their White House allies) has continued with few pauses, and his book is basically a recounting of what he considers his own errors in dealing with both his enemies and the members of his own party. What will stick in most readers' minds, though, is not how many mistakes Gingrich made, but how he recovered from them.



Lessons Learned the Hard Way reads for much of its length like a political version of an adventure-movie script, in which Gingrich, in the Indiana Jones part, slips and stumbles, sometimes badly. Somehow, though, he always manages to save himself—and his party's role as an agent of change—from the pack of angry barbarians (most of them Democrats, but a few of them Republicans) at his heels.

If rage over their loss of power fuels his Democratic pursuers, it is ultimately Gingrich's ideas that have kept him out of their reach. However much success the Democrats may sometimes enjoy by playing on the voters' fears, it is Gingrich and his Republicans who have aligned themselves decisively with the voters' hopes and dreams for a brighter future. He writes:

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Editorial

Auto-Insurance Bill Should Get Green Light

An effective system for compensating victims of automobile accidents should pay medical bills and replace lost wages without delay and prevent the fraud, excessive claims, and marathon litigation that drive up insurance costs for everybody.

But the accident coverage available to most Americans today provides none of these critical elements. Operating on a tort-liability basis, it consumes vast amounts of time and resources through litigation that seeks to fix blame, while victims struggle with medical bills and the impact of lost income.

The lure of fat payoffs from insurance companies or businesses causes rampant auto-insurance fraud, both organized and individual, tied to exaggerated or even fictitious injury claims.

The idea that insurance premiums for bodily-injury coverage go mostly to compensate victims for medical expenses and lost wages is itself a form of fiction. Only 14.8 percent of such payments are disbursed for that purpose. (See the chart.) The outlay for attorneys' fees is nearly twice as high—28.4 percent. And fraudulent and excessive claims, at 12.6 percent, come close to matching the economic-loss outlays.

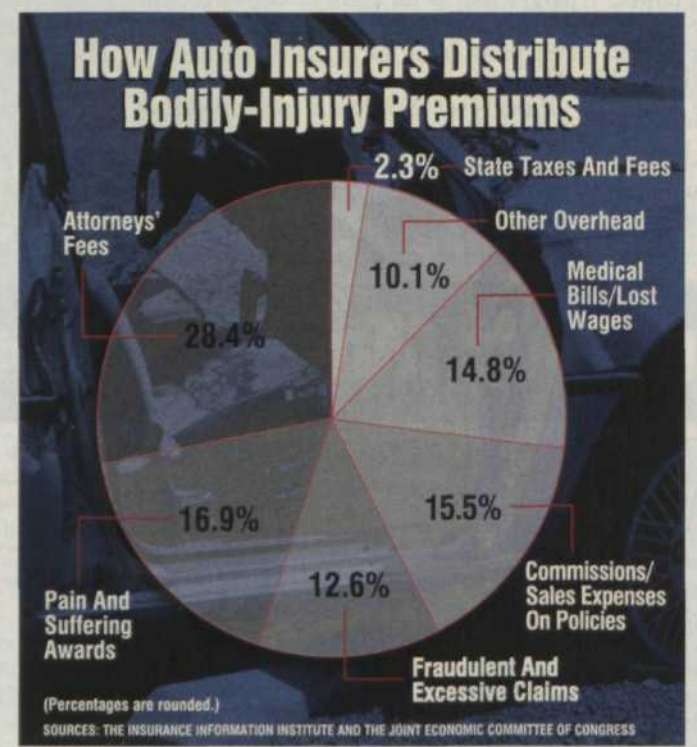


CHART: GEORGIA LEIGH MCDONALD

After reviewing the current system, the Joint Economic Committee of Congress said it "results in the worst possible combination: high costs and low benefits."

Fortunately, the means for change is at hand. It is the bipartisan Auto Choice Reform Act (S. 625 in the Senate and H.R. 2021 in the House). This eminently sensible measure would deal with the major shortcomings of the present system and reduce annual premium costs an average of 27.5 percent for commercial and 22.8 percent for noncommercial vehicles. Savings would average $184 per year per vehicle and total $193 billion over five years, the committee estimates.

Under the act, vehicle owners could continue with coverage similar to what they presently have or purchase a new type of policy known as personal protection insurance (PPI).

Holders of PPI policies would be reimbursed promptly by their own insurance companies for medical expenses and lost wages up to levels they chose in purchasing coverage. Fault would not be an issue.

The holder of a PPI policy could neither sue nor be sued for damages based on claims of pain and suffering, the principal force driving the auto tort litigation that is pushing up premiums. States could exempt themselves from the PPI system.

The vast majority of the business community is solidly behind the reform movement. Lawrence B. Kraus, president of the U.S. Chamber Institute for Legal Reform, says, "It's time to tackle the problems of lawsuit abuse and move forward with a sensible auto-choice law that allows consumers to choose and to benefit from lower premiums."

The institute and its parent organization, the U.S. Chamber of Commerce, are supporting the measure, Kraus says, because "business is one of the largest consumers of auto insurance" and the reform bill would "allow consumers to choose the type of coverage they want."

There is no justification for continuing to impose a failed, excessively costly system on consumers when a workable, equitable, and economical alternative can be put in place quickly. Congress should expedite passage of the Auto Choice Reform Act. NB



Today's inflight meal: your competitor's lunch.

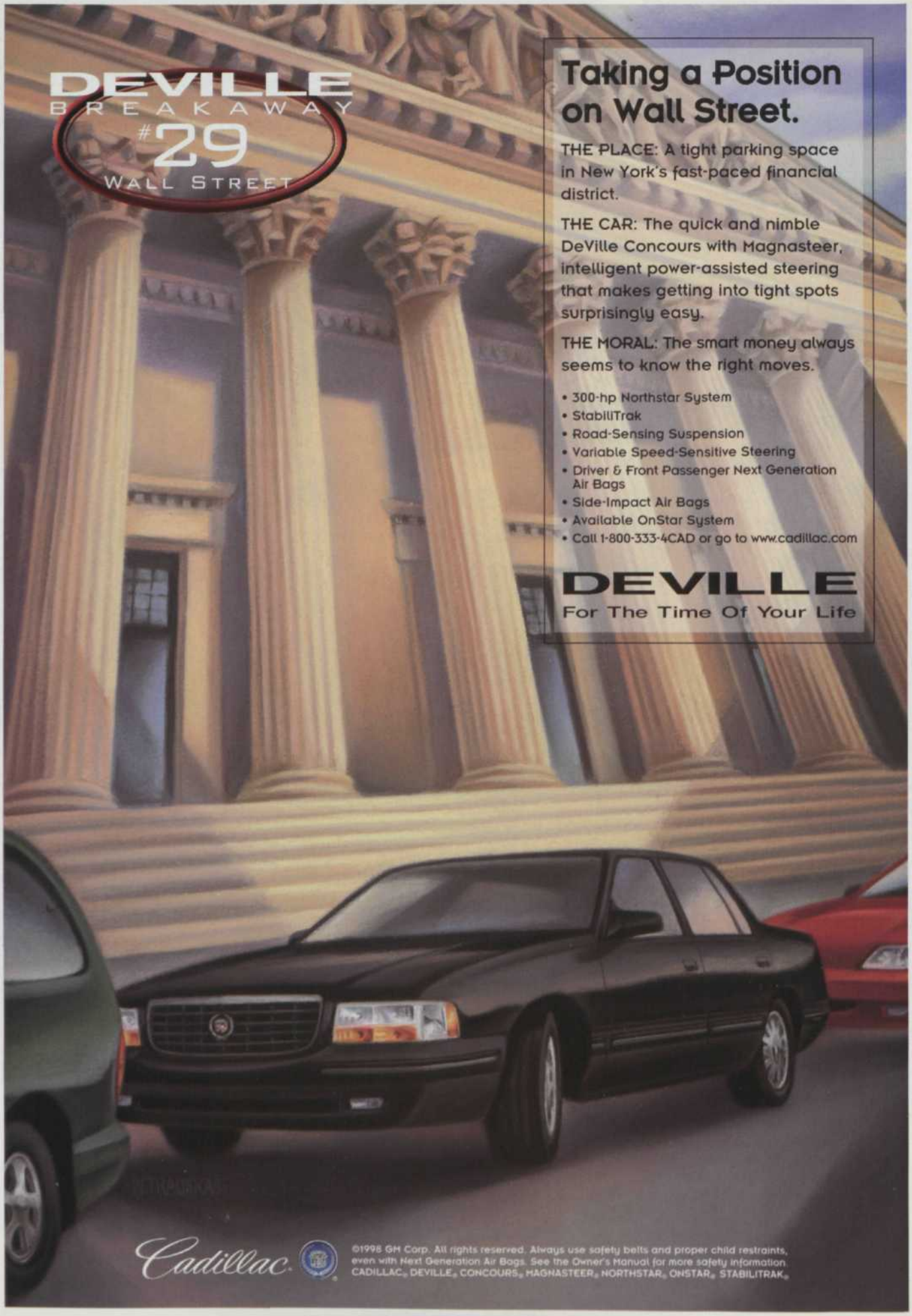
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THE BUSINESS ADVOCATE

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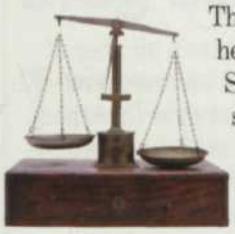
WHAT'S HOT

Reining In OSHA



In landmark actions, Congress approves two business-backed bills to reform the Occupational Safety and Health Act of 1970. Story, Page 3A.

Supreme Court Victory



The U.S. Chamber helps persuade the Supreme Court to set clear guidelines for employers and employees on sexual harassment in the workplace. Details, Page 2A.

Challenge To Lawmakers

Chamber President and CEO Thomas J. Donohue challenges members of Congress to work at least two days at a small company to get a taste of the burdens of complying with federal rules and mandates that small-business owners face. Details, Page 4A.

Candidate Endorsements



Find out which candidates in the 1998 elections for the U.S. House and Senate are on the Chamber's latest list of endorsements. See Page 2A.

Business Wins On Key Bills

Bankruptcy Reform Measure Advances

Following a strong lobbying effort by the U.S. Chamber of Commerce, the House of Representatives approved legislation that would tighten the rules for filing for bankruptcy and protect creditors from losing billions of dollars each year.

The Chamber is now urging the Senate to take up a similar measure before it adjourns for a monthlong recess in early August.

The bankruptcy problem has ballooned to the point that about 1.4 million individuals and companies filed for bankruptcy last year at a cost to creditors—most of them businesses—of more than $40 billion, according to the U.S. Administrative Office of the Courts.

The bill approved by the House on June 11 by 306-118 would make changes in the Bankruptcy Reform Act of 1978, which made it more attractive to file under Chapter 7 of the bankruptcy law. Chapter 7 allows individuals and firms to wipe out nearly all of their debts regardless of their ability to repay.

The House-passed measure, sponsored by Rep. George W. Gekas, R-Pa., would make it harder for debtors who have the ability to repay to file for Chapter 7 bankruptcy.

Chapters 13 and 11 require that most debt be repaid over three to five years under a plan worked out by a debtor, creditors, and the courts. (Chapter 11 is used mostly by businesses.)



To see how your representative voted, see the list on Pages 6A and 7A.

Massive Tax Increase Defeated

In a victory for taxpayers—and a huge success for the U.S. Chamber—the Senate recently killed a major tax increase along with legislation that purportedly would curb teenage smoking.

"Through an effective lobbying and advertising campaign, the Chamber changed the nature of the debate on the measure and helped bring about the bill's demise," said Thomas J. Donohue, president and CEO of the U.S. Chamber.

The business federation noted that the bill would have raised taxes by as much as $800 billion over 25 years and that most of the revenue would have gone to programs unrelated to anti-smoking initiatives. Millions of dollars, said the Chamber, would have gone to trial lawyers involved in tobacco suits. (Before killing the tobacco bill, the Senate agreed to cap lawyers' fees in tobacco cases at a maximum of $4,000 an hour.)

"Under the guise of stopping teen smoking, this bill became a smoke screen for a huge tax increase, more big government, and a giant

Continued On Page 5A

Court Clarifies Harassment Rules

In a major victory for business, the U.S. Supreme Court agreed with the U.S. Chamber's legal center in ruling that employers cannot be held liable for sexual harassment in certain circumstances.

The court ruled that employers could not be held liable if they take "reasonable care to prevent and correct promptly any sexually harassing behavior" and if harassed workers fail to "take advantage of any preventive or corrective opportunities."



The National Chamber Litigation Center, the public-policy legal affiliate of the Chamber, argued in a brief to the court that sexual harassment of a worker by a supervisor in which the supervisor threatens the worker's employment status should not subject the employer to a strict liability standard if the threat is not carried out.

The NCLC said that the employer should be subject only to a negligence standard, meaning that liability would apply only if the employer knew or should have known about the harassment and failed to take action to stop it or correct it.

While the high court rejected those arguments, it did rule that an employer could use as a defense the existence of a company policy against sexual harassment and evidence that no complaints of sexual harassment were made.

"Under this ruling," says Stephen A. Bokat, executive vice president of the NCLC, "the employer is responsible for setting guidelines, and the employee is responsible for following them."

Concern Voiced On China Policy

The U.S. Chamber has urged China to reconsider its ban on direct-selling activities.

During its June meeting, the Chamber's board of directors adopted a statement expressing the business federation's concern.



PHOTO: T. MICHAEL KEZA

On a separate matter, Kim Dae-Jung, South Korea's president, addressed 400 business leaders at the Chamber.

China's policy forbids "chain selling," which Chinese officials have interpreted to include all forms of direct selling. The ban affects a number of U.S. companies that had complied with Chinese licenses that gave them permission to operate as direct sellers.

The Chamber statement says, in part: "The direct-selling ban is arbitrary and without recourse [and] contrary to principles of transparency and rules of international trade."

Additional Candidates Endorsed For '98 Elections

The U.S. Chamber has endorsed 30 more candidates—six for the Senate and 24 for the House—for congressional seats in the Nov. 3 elections.

The Chamber earlier endorsed 11 Senate and 218 House candidates. For more information on the Chamber's political program, call (202) 463-5600.

Here are the candidates endorsed in the latest round (the numbers next to House candidate names reflect the district):

Senate

CALIFORNIA
Matt Fong
IDAHO
Rep. Michael Crapo
KENTUCKY
Rep. Jim Bunning
NEVADA
Rep. John Ensign
OHIO
Gov. George Voinovich
SOUTH CAROLINA
Rep. Bob Inglis

House

CALIFORNIA
3 Doug Ose
18 Rep. Gary Condit
22 Tom Bordonaro
24 Randy Hoffman
36 Steve Kuykendall
41 Gary Miller
42 Elia Pirozzi
CONNECTICUT
5 Mark Nielsen
IDAHO
2 Mike Simpson
INDIANA
9 Jean Leising
KENTUCKY
6 Ernie Fletcher
MASSACHUSETTS
3 Matt Amorello
MICHIGAN
12 Leslie Touma
NEBRASKA
2 Lee Terry
NEW JERSEY
6 Mike Ferguson
NEW MEXICO
1 Rep. Heather Wilson
OHIO
6 Nancy Hollister
13 Grace Drake
OKLAHOMA
3 Rep. Wes Watkins
OREGON
1 Molly Bordonaro
2 Greg Walden
5 Marilyn Shannon
PENNSYLVANIA
10 Don Sherwood
TENNESSEE
8 Rep. John Tanner

Energy Seminar

Members of the U.S. Chamber can view free of charge a Sept. 15 seminar on reducing waste-treatment costs through energy management.

Sponsored by the Chamber and Select Energy Inc., the seminar will air by satellite and over the Internet from 1 to 3 p.m. Eastern time. Select Energy is a subsidiary of Northeast Utilities; both are in Berlin, Conn.

For information about the seminar, call 1-800-835-4730 or visit the Chamber's Web site at *www.uschamber.org/programs/qls.*

Drug Bill Backed

In an important step in the fight against substance abuse, the House passed a bill backed by the U.S. Chamber that would offer financial incentives and technical assistance to small businesses to create drug-free workplaces.

The Drug-Free Workplace Act, approved by a 402-9 vote June 23, would establish a drug-free-workplace demonstration program under the U.S. Small Business Administration. The SBA would make grants to entities that would be established to provide financial assistance to small businesses to set up drug-free-workplace programs.

In addition to the Drug-Free Workplace Act, which now moves to the Senate for consideration, the Chamber is backing a House resolution (H. Res. 267) that calls on Americans to help eliminate drugs from schools by 2000.

The Chamber has made fighting illegal drug use and crime a high priority. Its public-policy research affiliate, the National Chamber Foundation, plans to conduct a study of the costs of substance abuse with the Center on Addiction and Substance Abuse, an affiliate of Columbia University in New York City.

Technology Help Is Available

Can't get your mouse to behave? Don't know how to log on to the Internet?

A program has been set up by the U.S. Chamber, IBM Corp., and the U.S. Small Business Administration to help small companies with technology-related problems and to educate them about the benefits of technology.



PHOTO: ©TODD PLITT-IMAGEBOX

From left, IBM's John Thompson, Yankelovich Partners' Arthur H. White, and the Chamber's Thomas J. Donohue discuss the benefits to business of technology at a news conference in New York City.

Called the Small Office Solutions initiative, the program consists of technology help centers at selected local chambers of commerce and regional SBA locations.

Known as ThinkCenters, the initial offices are in the SBA's Business Information Centers in Albany, N.Y.; El Paso, Texas; and Spokane, Wash.; and in the Chicagoland Chamber of Commerce in Chicago. More centers are expected to be established over the next several months.

"Tool kits" containing technology information and resources that are available at the centers can also be obtained by calling IBM at 1-888-426-5800 or by visiting the company's Web site at *www.ibm.com/businesscenter.*

Small-business people can also reach technology experts through the toll-free numbers of the U.S. Chamber (1-800-835-4730), IBM (1-888-426-5800), and the SBA (1-800-827-5722).

Chamber Scores OSHA Victory

In a landmark victory for the U.S. Chamber and its members, Congress approved two bills that would give businesses protection from overzealous enforcement by the U.S. Occupational Safety and Health Administration.

President Clinton was expected to sign the bills, H.R. 2864 and H.R. 2877, approved by the House in March and the Senate in June.

This will mark the first time since the Occupational Safety and Health Act was enacted in 1970 that the statute has been amended to make it less onerous for business.

H.R. 2877 requires OSHA to measure its success through improvements in workplace safety and health. It also prohibits OSHA from using the number of inspections, citations, or penalties as quotas or performance measures for its inspectors.

H.R. 2864 makes OSHA's current small-business consultation program, which has been underfunded, a central part of the agency's compliance-assistance mission. Under the program, firms can request audits by OSHA-approved third parties to ensure that the firms are in compliance with the safety and health law or correct problems without being penalized for any violations.

Chamber Pressing Lawmakers On Key Bills

Numerous bills that could affect businesses are being lobbied and monitored by the U.S. Chamber. Here's a partial rundown:

China MFN Disapproval

The Chamber is opposing a measure (H.J. Res. 121) to deny most-favored-nation trade status to China.

Unless the measure is approved by a majority of the House and the Senate by Sept. 1, China's MFN status will be extended until June 30, 1999.

MFN status is granted to most countries with which the United States trades, and it confers no special trade privileges.

The trade status, which runs from July 1 to June 30, must be renewed yearly. President Clinton renewed China's MFN status on June 3. But some lawmakers want to deny or restrict China's trade status because of the country's poor record on human rights and other issues.

Mandates Information

The Chamber is working to secure enough votes to pass a measure (S. 389) that would protect the private sector from costly federal mandates.

The bill, which could come before the Senate in July, is similar to one passed by the House in June. Both measures would require Congress to consider how its decisions would affect business, workers, and consumers before lawmakers vote on legislation.

Trade-Sanctions Reform

The Chamber is supporting bills in the House (H.R. 2708) and the Senate (S. 1413) that would toughen the process by which the United States imposes unilateral economic sanctions on nations.

Under the legislation, before sanctions could be imposed, U.S. officials would be required to determine the sanctions' likely effectiveness, economic costs to U.S. businesses, and effects on U.S. humanitarian, security, and foreign-policy objectives.

The measures would require the consideration of alternatives such as multilateral sanctions and would set up a commission to review the effectiveness of existing unilateral economic sanctions. The bills could be attached to other pending legislation.

Rules-Process Reform

A bill (H.R. 1704) championed by the Chamber and expected to be voted on by the House in July would set up a congressional office to ensure that lawmakers are provided objective and expert analysis on proposed regulations.

Under the legislation, which has no Senate companion, the Congressional Office of Regulatory Analysis would report on agencies' compliance with various regulatory-reform laws, such as the Small Business Regulatory Enforcement Fairness Act and the Paperwork Reduction Act.

Family Leave Expansion

The Chamber is opposing a Senate bill (S. 280) that would increase by three the number of days that employees could take off under the Family and Medical Leave Act.

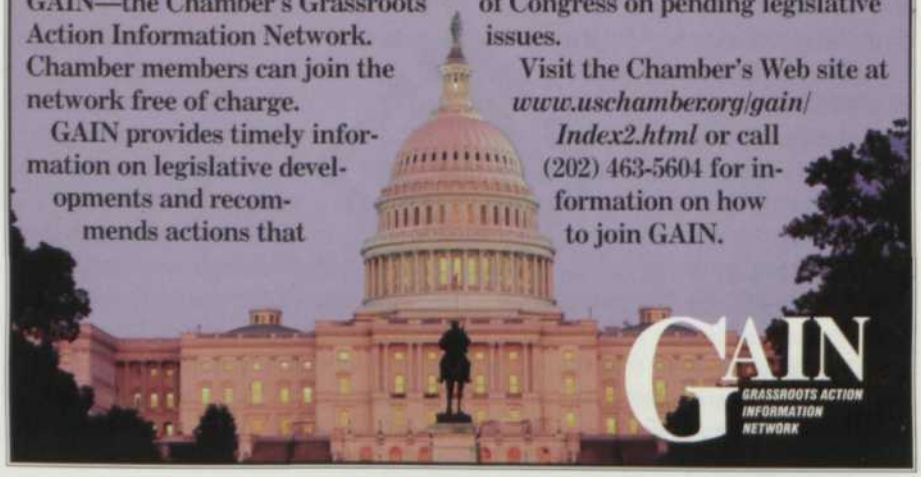
The current law, which applies to firms with 50 or more employees, allows workers to take up to 12 weeks of unpaid leave for the birth or adoption of a child or for the illness of the employee or a family member. S. 280 would allow workers to take off for their children's school activities.

Join GAIN To Boost Your Influence

To have a direct impact on legislation that affects business, join GAIN—the Chamber's Grassroots Action Information Network. Chamber members can join the network free of charge.

GAIN provides timely information on legislative developments and recommends actions that Chamber members can take to help influence the thinking of members of Congress on pending legislative issues.

Visit the Chamber's Web site at *www.uschamber.org/gain/Index2.html* or call (202) 463-5604 for information on how to join GAIN.



Challenge Issued

The U.S. Chamber is urging members of Congress to spend at least two days a year working in a small or medium-sized business owned by their constituents.

Chamber President and CEO Thomas J. Donohue announced the challenge in a recent speech to the Detroit Economic Club and in a subsequent letter to members of Congress.

"By accepting the Chamber's challenge ... you will experience firsthand the challenges and costs of federal mandates," said Donohue. "It will be an experience that you will find quite illuminating of the daily struggles of small employers."

Support Urged



PHOTO: T. MICHAEL KEZA

U.S. Defense Secretary William S. Cohen urged business leaders gathered at the U.S. Chamber to support their employees who are in the National Guard or the Reserve.

FACT FILE

In 1977, foreign citizens earned 18 percent of doctorates awarded in the science and engineering fields by U.S. schools; in 1996, they earned 30 percent.

— National Science Foundation

The dropout rate for U.S. students ages 16 through 24 was 11.1 percent in 1996, down from 12 percent a year earlier. This continues a 25-year pattern of decline in the dropout rate for this age group.

— U.S. Department of Education

State governments collected $443.5 billion in tax revenue in 1997, $147.1 billion of which was general sales-tax revenue. In 1996, the revenue totals were $418.6 billion and $139.3 billion, respectively.

— U.S. Department of Commerce, Bureau of the Census

The annual pay of private-sector employees, who make up 84.2 percent of the nation's full- and part-time work force, rose 4.2 percent in 1996, while the pay for government workers rose 3.1 percent. A year earlier, the average pay increases were 3.6 percent and 2.6 percent, respectively.

— U.S. Department of Labor, Bureau of Labor Statistics

Economic Confidence Lags In Latest Chamber Member Poll

Confidence in the economy dropped among U.S. Chamber members in the latest Business Ballot poll, conducted in June.

The Business Confidence Index, a measure of firms' optimism, fell to 58.2 in June after reaching 63.6 in April, the fourth-highest level since the index was started in May 1990.

For the first time since April 1997, a greater percentage of respondents believed that the economy is headed down over the next six months than believed it is headed up.

Also, respondents gave a six-month outlook for their sales and employment levels and expressed their views on tax cuts, the tax burden, and the need to reform the tax system. Following are complete poll results.

What is the six-month outlook for:

■ Your firm's sales?
Up 44.0% Down 14.2%
No change 41.8%

■ Your firm's employment?
Up 28.2% Down 8.8%
No change 63.0%

■ Where do you think the economy is headed over the next six months?
Up 24.1% Down 24.3%
No change 51.6%

■ Should some tax reduction be part of the legislative budget package for fiscal 1999?
Yes.....74.7%
No.....7.4%
It depends on the next estimate of the size of the federal surplus.....17.9%

■ If you answered yes to the question above, which tax burden concerns you most?
Individual tax burden.....21.8%
Business tax burden.....6.7%
Both of about equal concern.....71.5%

■ Which view best reflects your opinion about the federal tax system?
OK; leave it as is.....2.8%
Too complex; needs reform.....33.4%
Can't be fixed; needs replacing...63.8%

Be sure to respond to this month's Business Ballot, in the plastic wrapper with this newsletter and your August Nation's Business.

Chamber Helps Kill Big Tobacco Tax

Continued From Page 1A

bonanza to benefit a handful of wealthy trial lawyers," said Donohue.

The Chamber also called the legislation a dangerous precedent for other industries that might fall out of political favor, such as beer and fast food.

"Who's next?" asked the Chamber in television ads that noted that the bill would raise taxes on 45 million working Americans, most of whom earn less than $30,000 a year.

The Senate bill, titled the National Tobacco Policy and Youth Smoking Reduction Act, would have imposed a tax of $1.10 per pack over five years on cigarette manufacturers. The legislation would have required the industry to pass on the tax to consumers.

The legislation was developed as a result of a $368 billion deal that was struck but then broken last year among tobacco companies and attorneys general in several states, who had sued the companies to recoup tobacco-related health-care costs.

Hire A Young Person

The U.S. Chamber is urging employers to hire young people to work after-school hours or on weekends during the fall. For more information on youth hiring, call America's Promise—The Alliance for Youth at (703) 684-4500.

Thank Lawmakers Who Backed Bankruptcy Bill

Contact your representative about his or her recent vote on a U.S. Chamber-backed bill to reform the nation's bankruptcy law. The House passed the measure 306-118.

The Senate is expected to consider the bill before its August recess. (See the related story beginning on Page 1A.)

Thank your lawmaker if he or she voted for the bill, which is designed to protect creditors by tightening the rules on filing for bankruptcy. Express your disappointment if your representative voted against the legislation.

Representatives are listed below by district within their states. They can be contacted through the Capitol switchboard at (202) 225-3121 or by mail at the U.S. House of Representatives, Washington, D.C. 20515.

VOTED FOR REFORM

ALABAMA
1 Callahan (R)
2 Everett (R)
3 Riley (R)
4 Aderholt (R)
5 Cramer (D)
6 Bachus (R)

ALASKA
AL Young (R)

ARIZONA
1 Salmon (R)
2 Pastor (D)
3 Stump (R)
4 Shadegg (R)
5 Kolbe (R)
6 Hayworth (R)

ARKANSAS
1 Berry (D)
2 Snyder (D)
3 Hutchinson (R)
4 Dickey (R)

CALIFORNIA
1 Riggs (R)
2 Herger (R)
3 Fazio (D)
4 Doolittle (R)
10 Tauscher (D)
11 Pombo (R)
15 Campbell (R)
18 Condit (D)
19 Radanovich (R)
20 Dooley (D)
21 Thomas (R)
22 Capps (D)
23 Gallegly (R)
24 Sherman (D)
25 McKeon (R)
27 Rogan (R)
28 Dreier (R)
36 Harman (D)
38 Horn (R)
39 Royce (R)
40 Lewis (R)
41 Kim (R)
43 Calvert (R)
44 Bono (R)
45 Rohrabacher (R)
47 Cox (R)
48 Packard (R)
49 Bilbray (R)
51 Cunningham (R)
52 Hunter (R)

COLORADO
3 McInnis (R)
4 Schaffer (R)
5 Hefley (R)
6 Schaefer (R)

CONNECTICUT
1 Kennelly (D)
4 Shays (R)
5 Maloney (D)
6 Johnson (R)

DELAWARE
AL Castle (R)

FLORIDA
1 Scarborough (R)
2 Boyd (D)
4 Fowler (R)
6 Stearns (R)
7 Mica (R)
8 McCollum (R)
9 Bilirakis (R)
10 Young (R)
11 Davis (D)
12 Canady (R)
13 Miller (R)
14 Goss (R)
15 Weldon (R)
16 Foley (R)
18 Ros-Lehtinen (R)
20 Deutsch (D)
21 Diaz-Balart (R)
22 Shaw (R)

GEORGIA
1 Kingston (R)
2 Bishop (D)
3 Collins (R)
7 Barr (R)
8 Chambliss (R)
9 Deal (R)
10 Norwood (R)
11 Linder (R)

IDAHO
1 Chenoweth (R)
2 Crapo (R)

ILLINOIS
3 Lipinski (D)
5 Blagojevich (D)
6 Hyde (R)
8 Crane (R)
10 Porter (R)
11 Weller (R)
13 Fawell (R)
14 Hastert (R)
15 Ewing (R)
16 Manzullo (R)
18 LaHood (R)
20 Shimkus (R)

INDIANA
2 McIntosh (R)
3 Roemer (D)
4 Souder (R)
5 Buyer (R)
6 Burton (R)
7 Pease (R)
8 Hostettler (R)
9 Hamilton (D)

IOWA
1 Leach (R)
2 Nussle (R)
3 Boswell (D)
4 Ganske (R)
5 Latham (R)

KANSAS
1 Moran (R)
2 Ryun (R)
3 Snowbarger (R)
4 Tiahrt (R)

KENTUCKY
1 Whitfield (R)
2 Lewis (R)
3 Northup (R)
4 Bunning (R)
5 Rogers (R)
6 Baesler (D)

LOUISIANA
1 Livingston (R)
2 Jefferson (D)
3 Tauzin (R)
4 McCrery (R)
5 Cooksey (R)
6 Baker (R)
7 John (D)

MAINE
2 Baldacci (D)

MARYLAND
1 Gilchrest (R)
2 Ehrlich (R)
3 Cardin (D)
4 Wynn (D)
5 Hoyer (D)
6 Bartlett (R)
7 Cummings (D)
8 Morella (R)

MASSACHUSETTS
4 Frank (D)

MICHIGAN
2 Hoekstra (R)
3 Ehlers (R)
4 Camp (R)
5 Barcia (D)
6 Upton (R)
7 Smith (R)
8 Stabenow (D)
11 Knollenberg (R)
13 Rivers (D)

MINNESOTA
1 Gutknecht (R)
2 Minge (D)
3 Ramstad (R)
6 Luther (D)
7 Peterson (D)

MISSISSIPPI
1 Wicker (R)
3 Pickering (R)
4 Parker (R)
5 Taylor (D)

MISSOURI
2 Talent (R)
4 Skelton (D)
5 McCarthy (D)
6 Danner (D)
7 Blunt (R)
8 Emerson (R)
9 Hulshof (R)

MONTANA
AL Hill (R)

NEBRASKA
1 Bereuter (R)
2 Christensen (R)
3 Barrett (R)

NEVADA
1 Ensign (R)
2 Gibbons (R)

NEW HAMPSHIRE
1 Sununu (R)
2 Bass (R)

NEW JERSEY
1 Andrews (D)
2 LoBiondo (R)
3 Saxton (R)
4 Smith (R)
5 Roukema (R)
7 Franks (R)
8 Pascrell (D)
9 Rothman (D)
11 Frelinghuysen (R)
12 Pappas (R)
13 Menendez (D)

NEW MEXICO
2 Skeen (R)

NEW YORK
1 Forbes (R)
2 Lazio (R)
3 King (R)
4 McCarthy (D)
10 Towns (D)
12 Velazquez (D)
13 Fossella (R)
19 Kelly (R)
20 Gilman (R)
22 Solomon (R)
23 Boehlert (R)
24 McHugh (R)
25 Walsh (R)
27 Paxon (R)
30 Quinn (R)
31 Houghton (R)

NORTH CAROLINA
2 Etheridge (D)
3 Jones (R)
4 Price (D)

5 Burr (R)
6 Coble (R)
7 McIntyre (D)
9 Myrick (R)
10 Ballenger (R)
11 Taylor (R)

NORTH DAKOTA
AL Pomeroy (D)

OHIO
1 Chabot (R)
2 Portman (R)
4 Oxley (R)
5 Gillmor (R)
6 Strickland (D)
8 Boehner (R)
12 Kasich (R)
15 Pryce (R)
16 Regula (R)
17 Traficant (D)
18 Ney (R)
19 LaTourette (R)

OKLAHOMA
2 Coburn (R)
3 Watkins (R)
4 Watts (R)
5 Istook (R)
6 Lucas (R)

OREGON
2 Smith (R)
3 Blumenauer (D)
5 Hooley (D)

PENNSYLVANIA
5 Peterson (R)
6 Holden (D)
7 Weldon (R)
8 Greenwood (R)
9 Shuster (R)
10 McDade (R)
13 Fox (R)
15 McHale (D)
16 Pitts (R)
17 Gekas (R)
19 Goodling (R)
21 English (R)

RHODE ISLAND
1 Kennedy (D)
2 Weygand (D)

SOUTH CAROLINA
1 Sanford (R)
2 Spence (R)
3 Graham (R)
4 Inglis (R)
5 Spratt (D)
6 Clyburn (D)

SOUTH DAKOTA
AL Thune (R)

TENNESSEE
1 Jenkins (R)
2 Duncan (R)
3 Wamp (R)
4 Hilleary (R)
5 Clement (D)
6 Gordon (D)
7 Bryant (R)
8 Tanner (D)

TEXAS
1 Sandlin (D)
2 Turner (D)
3 Johnson, S. (R)
4 Hall (D)
5 Sessions (R)
6 Barton (R)
7 Archer (R)
10 Doggett (D)
12 Granger (R)
13 Thornberry (R)
14 Paul (R)
17 Stenholm (D)
19 Combest (R)
21 Smith (R)
22 DeLay (R)
23 Bonilla (R)
24 Frost (D)
25 Bentsen (D)
26 Armey (R)

UTAH
1 Hansen (R)
2 Cook (R)
3 Cannon (R)

VIRGINIA
1 Bateman (R)
2 Pickett (D)
4 Sisisky (D)
5 Goode (D)
6 Goodlatte (R)
7 Bliley (R)
8 Moran (D)
9 Boucher (D)
10 Wolf (R)
11 Davis (R)

WASHINGTON
1 White (R)
2 Metcalf (R)
3 Smith, L. (R)
4 Hastings (R)
5 Nethercutt (R)
6 Dicks (D)
8 Dunn (R)
9 Smith, A. (D)

WEST VIRGINIA
1 Mollohan (D)
2 Wise (D)

WISCONSIN
1 Neumann (R)
2 Klug (R)
3 Kind (D)
4 Kleczka (D)
6 Petri (R)
8 Johnson (D)
9 Sensenbrenner (R)

WYOMING
AL Cubin (R)

VOTED AGAINST REFORM

ALABAMA
7 Hilliard (D)

CALIFORNIA
5 Matsui (D)
6 Woolsey (D)
7 Miller (D)
8 Pelosi (D)
9 Lee (D)
12 Lantos (D)
13 Stark (D)
14 Eshoo (D)
16 Lofgren (D)
29 Waxman (D)
30 Becerra (D)
31 Martinez (D)
32 Dixon (D)
33 Roybal-Allard (D)
34 Torres (D)
35 Waters (D)
37 Millender-McDonald (D)
42 Brown (D)
46 Sanchez (D)
50 Filner (D)

COLORADO
1 DeGette (D)
2 Skaggs (D)

CONNECTICUT
2 Gejdenson (D)
3 DeLauro (D)

FLORIDA
3 Brown (D)
5 Thurman (D)
17 Meek (D)
19 Wexler (D)
23 Hastings (D)

GEORGIA
4 McKinney (D)

HAWAII
1 Abercrombie (D)
2 Mink (D)

ILLINOIS
1 Rush (D)
2 Jackson (D)
4 Gutierrez (D)
7 Davis (D)
9 Yates (D)
12 Costello (D)
17 Evans (D)
19 Poshard (D)

INDIANA
1 Visclosky (D)
10 Carson (D)

MAINE
1 Allen (D)

MASSACHUSETTS
1 Olver (D)
2 Neal (D)
3 McGovern (D)
5 Meehan (D)
6 Tierney (D)
7 Markey (D)
8 Kennedy (D)
9 Moakley (D)
10 Delahunt (D)

MICHIGAN
1 Stupak (D)
9 Kildee (D)
10 Bonior (D)
12 Levin (D)
14 Conyers (D)
15 Kilpatrick (D)
16 Dingell (D)

MINNESOTA
4 Vento (D)
5 Sabo (D)
8 Oberstar (D)

MISSISSIPPI
2 Thompson (D)

MISSOURI
1 Clay (D)
3 Gephardt (D)

NEW JERSEY
6 Pallone (D)
10 Payne (D)

NEW YORK
5 Ackerman (D)
6 Meeks (D)
7 Manton (D)
8 Nadler (D)
11 Owens (D)
14 Maloney (D)
15 Rangel (D)
16 Serrano (D)
17 Engel (D)
18 Lowey (D)
21 McNulty (D)
26 Hinchey (D)
28 Slaughter (D)
29 LaFalce (D)

NORTH CAROLINA
1 Clayton (D)
8 Hefner (D)
12 Watt (D)

OHIO
3 Hall (D)
9 Kaptur (D)
10 Kucinich (D)
11 Stokes (D)
13 Brown (D)
14 Sawyer (D)

OREGON
1 Furse (D)
4 DeFazio (D)

PENNSYLVANIA
1 Brady (D)
2 Fattah (D)
3 Borski (D)
4 Klink (D)
11 Kanjorski (D)
12 Murtha (D)
14 Coyne (D)
18 Doyle (D)
20 Mascara (D)

TENNESSEE
9 Ford (D)

TEXAS
9 Lampson (D)
11 Edwards (D)
15 Hinojosa (D)
16 Reyes (D)
18 Jackson-Lee (D)
27 Ortiz (D)
28 Rodriguez (D)
29 Green (D)
30 Johnson, E.B. (D)

VERMONT
AL Sanders (I)

VIRGINIA
3 Scott (D)

WASHINGTON
7 McDermott (D)

WEST VIRGINIA
3 Rahall (D)

WISCONSIN
5 Barrett (D)
7 Obey (D)

DID NOT VOTE

CALIFORNIA
17 Farr (D)
26 Berman (D)

GEORGIA
5 Lewis (D)
6 Gingrich (R)

NEW MEXICO
1 (Vacant)
3 Redmond (R)

NEW YORK
9 Schumer (D)

OHIO
7 Hobson (R)

OKLAHOMA
1 Largent (R)

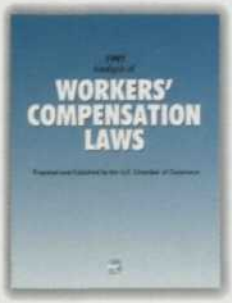
TEXAS
8 Brady (R)
20 Gonzalez (D)

Here are some of the most important products, services, and programs offered by the U.S. Chamber.

Workers' Comp Guide To Be Available Soon

Orders are now being accepted for the U.S. Chamber's *1998 Analysis Of Workers' Compensation Laws.*

The analysis, which will be available in August, contains comprehensive information on the workers' comp laws in the 50 states, the District of Columbia, U.S. territories, and the Canadian provinces.



For each jurisdiction, the analysis includes information on insurance requirements and allowances, injury reporting and claim filing, and qualifications for appealing decisions made under state workers' comp laws.

The publication costs $15 for U.S. Chamber members and $25 for nonmembers. Bulk-order discounts are available. To order, write to the U.S. Chamber of Commerce, Domestic Policy Publications, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call 1-800-352-1450.

Retirement Plans At A Discount

Affordable, accessible, and convenient retirement plans are available to Chamber members through the U.S. Chamber and Fidelity Investments.

Fidelity has a package of retirement plans and services that are offered at a discount to Chamber members.

Fidelity Investments®

The retirement plans include 401(k), Keogh, SEP-IRA, and SIMPLE (Savings Incentive Match Plan for Employees) plans.

Fidelity provides investment-management and record-keeping services as well as materials that employers can use to communicate with employees about the plans. For more information, call Fidelity toll-free at 1-888-RET-PLAN (1-888-738-7526).

Chamber Information On The Internet

The products and services offered by the Chamber, as well as information on issues the organization is lobbying, can be viewed on the federation's Internet home page at *www.uschamber.org.*

In the site's members-only section, Chamber members can view in-depth information on the organization's policies and issues; read articles from *The Business Advocate*; and view announcements of Chamber events.



The members-only section's address is *www.uschamber.org/member/password.html.* (Include your password, not the word "password.") Use your member identification number to reach this area of the Chamber site. (If you don't know your Chamber ID number, call 1-800-649-9719.)

Discount Business Service

A new online service is available at a discount to U.S. Chamber members. The service, known as DigitalWork, enables business people to harness the power of the Internet to create and distribute press releases about their companies or their products and to perform other pressing business tasks. These productivity-enhancing, money-saving tasks include creating direct-mail campaigns, advertising job openings, and managing human resources, sales and marketing operations, and finances.

The service can be reached on the Internet at *www.usccwork.com.*

Free Seminars For Women In Business

Women business owners who want to become even more successful can tune in to free seminars on using leading-edge technology and finding creative ways to finance a business.

The seminars are sponsored by the Chamber, the U.S. Small Business Administration, IBM Corp., the Edward Jones investment company, the Service Corps of Retired Executives, and the American Business Women's Association. The programs will air via satellite from 7:30 to 8:30 p.m. Eastern time at downlink sites across the country.

The seminar on technology, titled "Leading Edge Technology for Women Entrepreneurs," will air Sept. 2. "Creative Ways to Finance Your Business" will air Nov. 16.

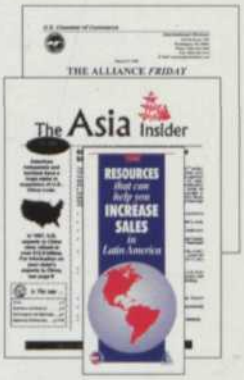
For more information about the seminars or to find the downlink site nearest you, call 1-800-441-1384.

International Resources

The Chamber's International Division has a number of publications designed to help firms looking to do business abroad.

Among the resources are:

■ *The Asia Insider*, a monthly newsletter on the economic and political climates in east Asian countries.



The publication, which is distributed by fax, is free to members of the Chamber.

■ *The Alliance Friday News Dispatch*, a weekly update on regulations, legislation, and political news from the nations in Central and Eastern Europe and the New Independent States—the former Soviet republics. Chamber members receive a 25 percent discount on the annual subscription price.

A catalog listing trade-resource publications for Latin America is available free to Chamber members.

For more information or to receive these International Division publications, call (202) 463-5460.